ROOSTER ENERGY LTD.

Management Discussion and Analysis
June 30, 2013

This management discussion and analysis ("MD&A") of Rooster Energy Ltd. ("Rooster" or, the "Company") reflects its June 30, 2013 financial results and operations as well as developments following June 30, 2013 through the date of preparation of this MD&A. This MD&A 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 June 30, 2013, which were prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the 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, 2012. All dollar amounts are stated in U.S. dollars, unless otherwise noted.

Overview

The Company is an independent oil and natural gas exploration and production company focused on the development of resources in the shallow waters of the U.S. Gulf of Mexico. At June 30, 2013, our primary assets consist of interests in 17 producing oil and/or natural gas wells, 13 of which are operated by the Company, and 19 leases or blocks granted by the United States of America.

Our core business and strategy is focused on the development of our inventory of oil and natural gas properties and the production and sale of oil and natural gas from those properties. We have identified drilling locations to which we will selectively allocate capital by applying an intensive screening analysis in order to maximize potential financial returns considering associated risks, among other factors. We are the operator of the majority of our properties, daily oil and gas production, and all identified potential drilling prospects; therefore we can control, to the best of our ability, the timing, costs, and drilling procedures.

Finding and economically developing oil and natural gas reserves is critical to our financial success. Key drivers of performance in the business are: (i) ability to successfully discover, develop, and exploit commercial oil and natural gas reserves on our properties; and (ii) ability to optimize profitability from operation of producing wells. Further, our ability to successfully discover, develop, and exploit properties is a function of, among other things: (i) ability, or the ability of our partners, to retain drilling rigs, drillers, personnel and supplies to carry out drilling operations in a professional and cost effective manner; (ii) the ultimate results of such drilling operations; (iii) the availability, on commercially reasonable terms, of transportation, storage, handling, processing and other facilities to service producing wells; and (iv) ability to finance the costs of such operations. Our ability to optimize profitability from the operation of producing wells 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.

The Company was incorporated in British Columbia in 1988. The Company conducts business through its wholly owned subsidiaries, Rooster Energy, L.L.C., Rooster Petroleum, LLC, Rooster Oil & Gas, LLC, and Probe Resources US Ltd.

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.

Review Of Q2 2013

The Company produced 210,685 barrels of oil equivalent (”BOE”) in Q2 2013 (second quarter, or three months ended June 30, 2013), compared to 172,714 BOE produced in Q2 2012. The higher sale volumes were primarily the result of the Company’s acquisition of Probe Resources US Ltd., and three new wells at Vermilion Block 376 that began producing in June, 2012.

In Q2 2013, the Company generated EBITDAX of $6,186,928, compared to $2,217,349 generated in Q2 2012 (for calculation, see Appendix A). While the Company recorded net income of $58,796 in Q2 2013, this was impacted by several non-cash expenses, including $1,515,000 related to an unrealized loss on financing warrants related to the Company’s warrants and $759,000 related to deferred taxes. Funds generated from operations including dry hole costs (net income excluding non-cash charges) totaled $5,181,589 in Q2 2013, compared to $1,206,552 in Q2 2012, an increase of $3,975,037 (see Non-IFRS Financial measurements on page 9).

In Q2 2013 the Company began drilling the High Island Block A-494 #B-4 exploratory well to 14,796’ measured depth and subsequent to the end of Q2 2013 has logged multiple apparent zones of interest. Completion operations are underway to test the commercial viability of the well. Results should be known by the end of September, 2013. The #B-4 well was drilled from an existing operated production platform and, if successful, could be on production in Q4 2013. The Company operates and owns a 75% working interest in the well.

Business

At June 30, 2013, the Company’s primary assets consisted of interests in 19 leases or blocks, all of which are located in the shallow waters (< 400’ water depth) of the Gulf of Mexico adjacent to the states of Louisiana and Texas. In Q2 2013, the Company’s net crude oil sales averaged 841 barrels per day (BOPD), net natural gas liquids (NGLs) sales averaged 97 barrels of oil equivalent per day (BOEPD), and net natural gas sales averaged 8,266 thousand cubic feet per day (MCFPD) (or 1,378 BOEPD); in aggregate, total crude oil, NGL, and natural gas sales averaged 2,315 BOEPD. The Company’s four primary operated properties, Vermilion 376, Eugene Island 28, Grand Island 70, East Cameron 36/37, comprised 94% of Q2 2013 sale volumes.

On March 20, 2013, the Company submitted high bids on two lease blocks – East Cameron 39 and Vermilion 20 – at the Central Gulf of Mexico Federal Lease Sale 227, both of which were awarded in Q2 2013 by the Department of Interior; lease bonuses totaled approximately $250,000.

Selected Annual Information

The following financial and operating data are selected information for the Company for the three most recently completed financial years, reflecting the results of operations of the Company for the years ended December 31, 2012, 2011, and 2010:

Financial	For the years ended December 31,		
	2012	2011	2010
Total revenues	$ 34,221,262	$ 21,001,250	$ 22,007,909
Operating income (loss)	2,448,865	4,477,521	326,224
Unrealized gain on financing warrants	1,317,000	-	-
Net interest expense and financing costs	(2,165,534)	(952,237)	(509,468)
Deferred income tax expense	(5,288,000)	-	-
Net income (loss)	(3,687,669)	3,525,284	(183,244)
Income (loss) per share - basic	(0.04)	0.04	0.00
Income (loss) per share - diluted	(0.04)	0.04	0.00
Total assets	96,577,261	39,965,322	34,699,496
Total long-term financial liabilities	54,331,401	13,008,253	13,753,440
Cash dividends per share	-	-	-

Results of Operations

The following table summarizes production volumes, average sales prices and operating revenues for the first quarter ended June 30, 2013 and 2012:

	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the six months ended June 30, 2013	For the six months ended June 30, 2012
Sales				
Oil (Bbl)	76,498	30,903	151,063	57,181
NGL (Bbl)	8,816	6,483	18,691	8,413
Natural gas (Mcf)	752,227	811,970	1,698,390	1,127,483
Oil (BOE) [a]	210,685	172,714	452,819	253,508
Oil (BOE/day) [a]	2,315	1,898	2,502	1,393
Oil ($/Bbl)	$ 103.63	$ 104.80	$ 105.26	$ 107.80
NGL ($/Bbl)	26.00	47.14	27.69	47.47
Natural gas ($/Mcf)	3.42	2.28	3.46	2.29
Summary statement of income				
Revenue	$ 10,731,229	$ 5,403,881	$ 22,289,783	$ 9,161,802
Expenses				
Lease operating costs	3,299,099	2,736,580	6,624,686	5,030,384
Depreciation and depletion	2,150,488	1,647,472	4,664,744	2,583,398
Exploration and evaluation	46,030	-	2,159,159	(303,543)
Plug and abandonment [b]	-	-	-	2,362,072
General and administrative	1,245,202	715,430	2,493,947	1,165,106
Transaction costs	-	674,522	-	779,306
Bad debt expense	184,685	-	2,670,862	-
Stock-based compensation	177,884	99,130	395,297	99,130
Total costs and expenses	7,103,388	5,873,134	19,008,695	11,715,853
Operating income (loss)	3,627,841	(469,253)	3,281,088	(2,554,051)
Unrealized loss on financing warrants	(1,515,000)	-	(1,464,000)	-
Finance expenses [c]	(1,295,045)	(149,838)	(2,564,765)	(361,660)
Income (loss) before tax expense	817,796	(619,091)	(747,677)	(2,915,711)
Deferred tax expense (recovery)	759,000	-	(85,000)	-
Income (loss)	58,796	(619,091)	(662,677)	(2,915,711)
Income (loss) per share				
Basic	0.00	(0.01)	(0.01)	(0.03)
Diluted	0.00	(0.01)	(0.01)	(0.03)
Weighted average shares outstanding [d]				
Basic	105,465,823	91,281,400	105,465,823	91,281,400
Diluted	105,774,344	91,281,400	105,465,823	91,281,400
Capital expenditures	$ 9,677,716	$ 15,612,345	$ 9,920,031	$ 30,226,964
EBITDAX [e]	$ 6,186,928	$ 2,217,349	$ 13,171,150	$ 764,934

(a) Gas volumes are converted to BOE on the basis of 6 Mcfe per 1 barrel.

(b) Plug and abandonment expense in 2012 of $2,362,072 includes a non-cash charge of $940,000.

(c) Finance expenses include accretion for asset retirement obligations.

(d) The weighted average number of common shares for 2012 is weighted for the before and after merger shares and for 2011 is based on 1,000 units.

(e) EBITDAX is a non-IFRS measure commonly used in the oil and gas industry. Such measures do not conform to IFRS and may not be comparable to those reported by other companies nor should they be viewed as an alternative to other measures of financial performance calculated in accordance with IFRS. The company defines EBITDAX as net income before finance expense, taxes, depreciation, amortization, accretion, exploration and evaluation, bad debt, impairments, stock-based compensation, and the non-cash portion of plug and abandonment expense.

Sale Volumes

Crude oil sales totaled 76,498 barrels (841 BOPD) in Q2 2013 compared to 30,903 barrels (340 BOPD) in Q2 2012, an increase of 45,595 barrels (148%). For the six months ended June 30, 2013, crude oil sales totaled 151,063 barrels (835 BOPD) compared to 57,181 barrels (314 BOPD) for the six months ended June 30, 2012, an increase of 93,882 barrels (164%). The increases in both Q2 2013 and H1 2013 (first half, or six months ended June 30, 2013) primarily reflect new production resulting from the Company's successful three-well drilling program at Vermilion 376, which was completed in June, 2012.

Natural gas liquid (NGL) sales totaled 8,816 BOE (97 BOEPD) in Q2 2013 compared to 6,483 BOE (71 BOEPD) in Q2 2012, an increase of 2,333 BOE (36%). For the six months ended June 30, 2013, NGL sales totaled 18,691 BOE (103 BOEPD) compared to 8,413 BOE (46 BOEPD) for the six months ended June 30, 2012, an increase of 10,278 BOE (122%). The increases in both Q2 2013 and H1 2013 primarily reflect new gas production from Vermilion 376 and East Cameron 36/37, partially offset by the sale of the Company's interest in Ship Shoal 189 and production declines at Eugene Island 28.

Natural gas sales totaled 752,227 thousand cubic feet (MCF) (8,266 MCFPD) in Q2 2013 compared to 811,970 MCF (8,923 MCFPD) in Q2 2012, a decline of 59,743 MCF (-7%). For the six months ended June 30, 2013, natural gas sales totaled 1,698,390 MCF (9,383 MCFPD) compared to 1,127,483 MCF (6,195 MCFPD) for the six months ended June 30, 2012, an increase of 570,907 MCF (51%). The decline in Q2 2013 primarily reflects production declines at Grand Isle 70 and High Island 115 and the sale of the Company's interest in Ship Shoal 189, partially offset by new gas production at East Cameron 36/37. The increase in H1 2013 primarily reflects new gas production at East Cameron 36/37 and Grand Isle 70, which was completed in March, 2012.

In aggregate, crude oil, NGL, and natural gas sales totaled 210,685 BOE (2,315 BOEPD) in Q2 2013 compared to 172,714 BOE (1,898 BOEPD) in Q2 2012, an increase of 37,971 BOE (22%). Q2 2013 sale volumes were comprised of 36% crude oil, 4% NGLs, and 60% natural gas. For the six months ended June 30, 2013, aggregate sales totaled 452,819 BOE (2,502 BOEPD) compared to 253,508 BOE (1,393 BOEPD) for the six months ended June 30, 2012, an increase of 199,311 BOE (79%).

Realized Prices

Realized crude oil prices averaged $103.63 per barrel in Q2 2013 compared to $104.80 per barrel in Q2 2012, a decline of $1.17 per barrel (-1%). For the six months ended June 30, 2013, realized crude oil prices averaged $105.26 per barrel compared to $107.80 per barrel in the six months ended June 30, 2012, a decline of 2.54 per barrel (-2%). Most of the Company's crude pricing is derived from a combination of West Texas Intermediate (WTI) crude prices and the Louisiana Light Sweet (LLS) spread relative to WTI prices. Though WTI prices increased 1% year-over-year in Q2 2013, this was partially offset by diminishing LLS spreads.

Realized NGL prices averaged $26.00 per barrel in Q2 2013 compared to $47.14 per barrel in Q2 2012, a decline of $21.14 per barrel (-45%). For the six months ended June 30, 2013, realized NGL prices averaged $27.69 per barrel compared to $47.47 per barrel in the six months ended June 30, 2012, a decline of $19.78 per barrel (-42%). The declines in Q2 2013 and H1 2013 primarily reflect overall declines in U.S. NGL prices.

Realized natural gas prices averaged $3.42 per MCF in Q2 2013 compared to $2.28 per MCF in Q2 2012, an increase of $1.14 per MCF (50%). For the six months ended June 30, 2013, realized natural gas prices averaged $3.46 per MCF compared to $2.29 per MCF, an increase of $1.17 per MCF (51%). The improvements in Q2 2013 and H1 2013 primarily reflect overall increases in U.S. natural gas prices (the average Henry Hub natural gas price increased 76% year-over-year in Q2 2013), partially offset by higher transportation and gathering charges at East Cameron 36/37.

In aggregate, realized prices averaged $50.93 per BOE in Q2 2013 compared to $31.29 per BOE in Q2 2012, an increase of $19.64 per BOE (63%). For the six months ended June 30, 2013, aggregate realized prices averaged $49.22 per barrel compared to $36.14 per barrel in the six months ended June 30, 2012, an increase of $13.08 per barrel (36%). Higher natural gas prices were partially offset by lower crude oil and NGL prices.

Revenues

Crude oil revenues totaled $7,927,741 in Q2 2013 compared to $3,238,659 in Q2 2012, an increase of $4,689,082 (145%). The year-over-year increase reflects a 148% increase in sale volumes, partially offset by a 1% decline in the average realized price. For the six months ended June 30, 2013, crude oil revenues totaled $15,900,824 compared to $6,164,298 for the six months ended June 30, 2012, an increase of $9,736,526 (158%). The half year increase reflects a 164% increase in sale volumes, partially offset by a 2% decline in the average realized price.

NGL revenues totaled $229,173 in Q2 2013 compared to $305,607 in Q2 2012, a decrease of $76,434 (-25%). The year-over-year decline reflects a 45% decline in the average realized price, partially offset by a 36% increase in sales volumes. For the six months ended June 30, 2013, NGL revenues totaled $517,497 compared to $399,345 for the six months ended June 30, 2012, an increase of $118,152 (30%). The half year increase reflects a 122% increase in sale volumes, partially offset by a 42% decline in the average realized price.

Natural gas revenues totaled $2,574,315 in Q2 2013 compared to $1,852,868 in Q2 2012, an increase of $721,447 (39%). The year-over-year increase reflects a 51% increase in the average realized price, partially offset by a 7% decline in sales volumes. For the six months ended June 30, 2013, natural gas revenues totaled $5,871,462 compared to $2,582,485 for the six months ended June 30, 2012, an increase of $3,288,977 (127%). The half year increase reflects a 51% increase in sale volumes and a 51% increase in the average realized price.

Total revenues totaled $10,731,229 in Q2 2013 compared to $5,403,881 in Q2 2012, an increase of $5,327,348 (99%). The year-over-year increase reflects a 22% increase in sale volumes and a 63% increase in the average realized price. Q2 2013 revenues were comprised of 74% crude oil, 2% NGLs, and 24% natural gas. For the six months ended June 30, 2013, total revenues totaled $22,289,783 compared to $9,161,802 for the six months ended June 30, 2012, an increase of $13,127,981 (143%). The half year increase reflects a 79% increase in sale volumes and a 36% increase in the average realized price.

Expenses

Lease operating expenses totaled $3,299,099 in Q2 2013 compared to $2,736,580 in Q2 2012, an increase of $562,519 (21%). For the six months ended June 30, 2013, lease operating expenses totaled $6,624,686 compared to $5,030,384 for the six months ended June 30, 2012, an increase of $1,594,302 (32%). The increases in both Q2 2013 and H1 2013 primarily reflect increased costs at Vermilion 376 where the Company completed three new wells and costs associated with the properties acquired from the acquisition of Probe Resources US Ltd. through our reverse merger in April 2012. Lease operating expenses averaged $15.66 per BOE in Q2 2013 compared to $15.84 per BOE in Q2 2012, which represents a 1% decline in per unit operating expenses year-over-year. For the six months ended June 30, 2013, lease operating expenses averaged $14.63 per BOE compared to $19.84 per BOE for the six months ended June 30, 2012, which represents a 26% decline in per unit operating expenses in H1 2013.

Depreciation and depletion expenses totaled $2,150,488 in Q2 2013 compared to $1,647,472 in Q2 2012, an increase of $503,016 (31%). For the six months ended June 30, 2013, depreciation and depletion expenses totaled $4,664,744 compared to $2,583,398 for the six months ended June 30, 2012, an increase of $2,081,346 (81%). The increases in both Q2 2013 and Q1 2013 primarily reflect expenses associated at Vermilion 376, as well as those properties included as a result of the acquisition of Probe Resources US Ltd. Depreciation and depletion expenses averaged $10.21 per BOE in Q2 2013 compared to $9.54 per BOE in Q2 2012, which represents a 7% increase in per unit expenses year-over-year. For the six months ended June 30, 2013, depreciation and depletion expenses averaged $10.30 per BOE compared to $10.19 per BOE for the six months ended June 30, 2012, which represents a 1% increase in per unit operating expenses in H1 2013.

General and administrative expenses totaled $1,245,202 in Q2 2013 compared to $715,430 in Q2 2012, an increase of $529,772 (74%). For the six months ended June 30, 2013, general and administrative expenses totaled $2,493,947 compared to $1,165,106 for the six months ended June 30, 2012, an increase of $1,328,841 (114%). The increases in both Q2 2013 and H1 2013 primarily reflect increased director and employee compensation and financial audit expenses. General and administrative expenses averaged $5.91 per BOE in Q2 2013 compared to $4.14 per BOE in Q2 2012, which represents a 43% increase in per unit expenses year-over-year. For the six months ended June 30, 2013, general and administrative expenses averaged $5.51 per BOE compared to $4.60 per BOE for the six months ended June 30, 2012, which represents a 20% increase in per unit operating expenses in H1 2013.

Exploration and evaluation expenses totaled $46,030 in Q2 2013 and $2,159,159 for the six months ended June 30, 2013. Exploration and evaluation expenses reflect drilling costs associated with the South Timbalier 198 #A-7ST1 well, which was deemed to be non-commercial in January, 2013.

Bad debt expenses totaled $184,685 in Q2 2013 and $2,670,862 for the six months ended June 30, 2013. The majority of the bad debt expense relates to an allowance for the non-payment of capital and operating expenses by a working interest owner in two wells at Vermilion 376 (see "Legal Proceedings").

Stock-based compensation expenses totaled $177,884 in Q2 2013 and $395,297 for the six months ended June 30, 2013. These expenses relate to the amortization of costs associated with employee and director stock options granted in June, 2012.

Finance expenses totaled $1,295,045 (cash expenses totaled $682,500) in Q2 2013 and $2,564,765 for the six months ended June 30, 2013. Finance expenses were primarily comprised of: 1) interest charged on debt secured by certain assets of Probe Resources US Ltd.; 2) interest and accretion of debt discount associated with $22,500,000 of 12% Senior Secure Notes that were issued on October 22, 2012 (see "Liquidity"); and 3) accretion of the Company's liability for asset retirement obligations (ARO).

Other expenses totaled $1,515,000 in Q2 2013 and $1,464,000 for the six months ended June 30, 2013. Other expenses relate to unrealized losses on those warrants issued in conjunction with the 12% Senior Secured Notes (see "Liquidity"). The increase in the Company's publicly-traded stock price increased the liability associated with the warrants, which required the Company to record an unrealized (non-cash) loss.

Deferred tax expense (recovery) totaled $759,000 in Q2 2013 and ($85,000) for the six months ended June 30, 2013. Deferred taxes reflect 35% (corporate tax rate) of the Company's pretax income, excluding non-taxable deductions for debt accretion, stock-based compensation, and unrealized gains or losses on financing warrants related to the Company's warrants. The deferred tax credit recorded in H1 2013 also reflects adjustments to prior period tax estimates.

Net Income

Net income (loss) totaled $58,796 in Q2 2013 compared to ($619,091) in Q2 2012, an increase of $677,887. For the six months ended June 30, 2013, net income (loss) totaled ($662,677) compared to ($2,915,711) for the six months ended June 30, 2012, an increase of $2,253,034. Net income in Q2 2013 and H1 2013 was weighed down by numerous non-cash charges.

Funds generated from operations including dry hole costs totaled $5,181,589 in Q2 2013, compared to $1,206,552 in Q2 2012, an increase of $3,975,037 (see Non-IFRS Financial Measures on page 9). For the six months ended June 30, 2013, funds generated from operations including dry hole costs totaled $6,797,197, compared to a cash deficit of $75,102 incurred in the six months ended June 30, 2012, an increase of $6,872,299. The increases in net income and funds generated from operations including dry hole costs in Q2 2013 and H1 2013 are the result of higher production volumes and realized prices, partially offset by higher operating and finance expenses.

Other Non-IFRS Financial Measurements

Included in the MD&A are references to certain financial measures commonly used in the oil and natural gas industry, such as funds generated from operations including dry hole costs. These measures have no standardized meanings, are not defined by IFRS, and accordingly are referred to as non-IFRS measures. The determination of these measures may not be comparable to the same as reported by other companies and should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income as determined by IFRS as an indicator of the Company's performance or liquidity.

The Company considers funds generated from operations including dry hole costs to be a key measure as it demonstrates the Company's ability to generate the cash necessary to repay debt and to fund future growth through capital investment. The company determines funds generated from operations including dry hole costs as cash provided by operating activities prior to changes in non-cash working capital items and decommissioning expenditures and including dry hole costs. A reconciliation of cash provided by operating activities to funds generated from operations is presented below.

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Cash provided by operating activities	6,974,879	(18,954,602)	9,666,214	(13,684,690)
Change in non-cash working capital items	(1,788,805)	20,161,154	(1,433,838)	13,609,588
Cash abandonment costs	41,545	-	723,980	-
Dry hole costs	(46,030)	-	(2,159,159)	-
Funds generated from operations (including dry hole costs)	5,181,589	1,206,552	6,797,197	(75,102)

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.

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 financial statements.

	For the three months ended							
	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31 2012	Dec. 31, 2011	Sep. 30, 2011
Revenues	$ 10,731,229	$ 11,558,554	$ 12,061,865	$ 12,997,594	$ 5,403,881	$ 3,757,922	$ 4,941,551	$ 4,697,918
Income (loss)	58,796	(721,474)	(5,792,837)	5,020,879	(619,091)	(2,296,620)	1,415,397	163,013
Net income (loss)	58,796	(721,474)	(5,792,837)	5,020,879	(619,091)	(2,296,620)	1,415,397	163,013
Net income (loss) per share - basic	0.00	(0.01)	(0.05)	0.05	(0.01)	(0.03)	0.02	0.00
Net income (loss) per share - diluted	0.00	(0.01)	(0.05)	0.05	(0.01)	(0.03)	0.02	0.00
OPERATIONS								
Sales								
Oil (Bbl)	76,498	74,565	78,242	82,984	30,903	26,279	32,962	29,629
NGL (Bbl)	8,816	9,876	19,592	29,581	6,483	1,930	5,901	10,640
Natural gas (Mcf)	752,227	946,163	969,198	1,175,480	811,970	315,513	252,355	226,884
Oil (BOE) (1)	210,685	242,135	259,368	308,478	172,714	80,795	80,922	78,083
Oil (BOE/day) (1)	2,315	2,690	2,819	3,353	1,898	888	880	849
Oil ($/Bbl)	$ 103.63	$ 106.93	$ 103.48	$ 103.94	$ 104.80	$ 111.33	$ 111.25	$ 104.11
NGL ($/Bbl)	26.00	29.20	30.12	30.09	47.14	48.56	59.12	51.91
Natural gas ($/Mcf)	3.42	3.48	3.48	2.96	2.28	2.31	3.48	4.68
Operating revenue								
Oil	$ 7,927,741	$ 7,973,082	$ 8,096,185	$ 8,625,723	$ 3,238,659	$ 2,925,639	$ 3,666,860	$ 3,084,607
NGL	229,173	288,325	590,160	890,182	305,607	93,738	348,914	552,377
Natural gas	2,574,315	3,297,147	3,375,520	3,478,439	1,852,868	729,617	879,207	1,060,934
Handling fees	-	-	-	3,250	6,747	8,927	46,570	-
Total	10,731,229	11,558,554	12,061,865	12,997,594	5,403,881	3,757,922	4,941,551	4,697,918
Expenses								
Lease operating expense	3,299,099	3,325,587	3,497,410	3,381,855	2,736,580	2,293,803	1,827,721	2,650,707
Lease operating expense per BOE (1)	15.66	13.73	13.48	10.96	15.84	28.39	22.59	33.95

(1) Gas volumes are converted to BOE on the basis of 6 Mcfe per 1 barrel.

Liquidity

On October 22, 2012, the Company and a lending group entered into a Note Purchase Agreement under which Rooster Oil & Gas, LLC, and Probe Resources US Ltd., as Co-Issuers, issued Senior Secured Notes due on October 22, 2014 in the aggregate principal amount of $22,500,000 (the "Notes"). The Notes are secured by a first priority security interest, lien and mortgage on all assets, including oil and gas leases and proceeds therefrom, owned by the Co-Issuers. The Notes bear interest at a rate equal to 12% per annum with interest payments due quarterly. The Company and its subsidiary, Rooster Energy, L.L.C., are guarantors of the obligations of the Co-Issuers under the Note Purchase Agreement and each has also granted a security interest in all of its property to secure the obligations of the Co-Issuers. No holder of the Notes is a related party to the Company nor is any holder a chartered bank, trust company or treasury bank. The proceeds from the sale of the Notes were used to repay certain obligations of the Company. As at June 30, 2013, the Company is in compliance with all covenants, obligations and conditions under the Note Purchase Agreement.

In association with the Note Purchase Agreement, the Company entered into a Warrant Purchase Agreement with a 5-year term with the holders of the Notes pursuant to which it has agreed to sell warrants for up to 9,000,000 common shares of the Company at an exercise price of $1.00

per common share. The warrants are subject to mandatory exercise, as applicable, in the event that certain conditions are satisfied, including: 1) that the trading price of the common shares is equal to or greater than 150% of the warrant exercise price for a period of thirty (30) consecutive trading days; and 2) that the Company has shares listed on a U.S. stock exchange.

At June 30, 2013, the Company had a cash balance of $4,965,809, and a working capital deficit of $1,252,230. Rooster expects to be able to meet its obligations and discharge its liabilities in the normal course of operations, including its loan payable obligations as they become due. Completion operations are underway to test the commercial viability of the High Island A-494 #B-4 well. If successful, the well could be on production in Q4 2013, which will likely enable Rooster to increase its revenues and cash flows. Nevertheless, additional debt or equity financings may be required to fund future planned capital spending requirements.

Asset Retirement Obligations

In addition to the amounts owed at June 30, 2013, the Company has an ongoing liability with respect to the decommissioning of wells and facilities totaling $17,631,630. 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 June 30, 2013, principal contractual obligations requiring fixed payments consisted of the following:

	Payments Due By Period				
	Total	Less Than 1 Year	1 - 2 Years	2 - 5 Years	Over 5 Years
First Amended and Restated Term Note (1)	$ 6,000,000	$ -	$ 6,000,000	$ -	$ -
Term Promissary Note (1)	463,000	-	463,000	-	-
Senior Secured Notes (2)	20,206,889	-	20,206,889	-	-
	$ 26,669,889	$ -	$ 26,669,889	$ -	$ -

(1) Matures on April 2014. However, subject to an intercreditor subordination agreement payment is not required until October 22, 2014.

(2) $22,500,000 payable on October 22, 2014 with interest at 12% payable quarterly.

Capital Expenditures

Capital expenditures totaled $9,677,716 in Q2 2013 compared to $15,612,345 in Q2 2012, a decline of $5,934,629. Capital expenditures in Q2 2013 primarily reflect drilling expenditures related to the High Island A-494 #B-4 well.

In addition, during the first six months of 2013 the Company recorded a $2,159,159 charge for expenses related to the South Timbalier 198 #A-7 ST-1 development well. This well was deemed to be non-commercial in January, 2013. Last year the Company expensed $4,031,388 of charges incurred through year-end 2012 in connection with drilling the well. The charges incurred in H1 2013 relate to additional expenses incurred subsequent to year-end.

Off-Balance Sheet Arrangements

At June 30, 2013 the Company is not party to, and not currently party to, any off-balance sheet arrangements.

Financial Instruments and Other Instruments

As of June 30, 2013, the Company has two fixed price physical delivery contracts pursuant to which it has agreed to sell certain quantities of natural gas. Fixed price physical delivery contracts related to the Company's gross working interest include:

- For the period July 1, 2013 through October 31, 2013, the Company is obligated to sell approximately 4,000 MMBtu per day of natural gas at a fixed price of $3.86 per MMBtu. Subsequent to June 30, 2013, the Company agreed to unwind the portion of this contract covering August 1, 2013, through October 31, 2013, for gross proceeds of approximately $59,000.
- For the period July 1, 2013 through October 31, 2013, the Company is obligated to sell approximately 3,100 MMBtu per day of natural gas at a fixed price of $3.60 per MMBtu.

At June 30, 2013, the Company did not have, and currently does not have, any derivative securities, financial or other instruments.

Transactions with Related Parties

During the quarter ended June 30, 2013, the Company was party to the following transactions with related parties:

- Accounts payable and accrued liabilities to directors and/or entities associated with directors, totaled $52,500 at June 30, 2013. In addition, at June 30, 2013, the Company had accounts payable in the amount of $3,644,911 due and owing to Chet Morrison Contractors, LLC, which is indirectly controlled by Chester F. Morrison, Jr., who is a director of the Company.

- The Company is indebted to The K2 Principal Fund L.P. in the total amount of $6,463,000 plus accrued interest and it is secured only by certain assets of Probe Resources US Ltd. Paul Crilly is a director of the Company and a director of K2 & Associates Investment Management Inc., the general partner of The K2 Principal Fund L.P.

- Cochon Properties, LLC, and Cretaceous, LLC, are participating in the High Island A-494 #B-4 well with 6.25% and 1.25% participation interests, respectively. Cochon Properties, LLC, is owned by Chester F. Morrison, Jr., who is Chairman of the Board of the Company. Cretaceous, LLC, is owned by Robert P. Murphy, who is President, CEO and a Director of the Company.

Outstanding Share Data

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 June 30, 2013, there were 65,071 Proportionate Voting Shares (each share is convertible to 1000 common shares) and 40,394,823 common shares issued and outstanding or the issued share capital on a fully diluted basis was the equivalent of 105,465,823 common shares. No preferred shares are issued or outstanding.

In association with the Note Purchase Agreement (see "Liquidity"), the Company entered into a Warrant Purchase Agreement with a 5 year term with the holders of the Notes pursuant to which it has agreed to sell warrants for up to 9,000,000 common shares of the Company at an exercise price of $1.00 per common share.

Pursuant to the stock option plan approved by shareholders on April 20, 2012, on June 5, 2012 the Company approved the grant of incentive stock options to directors, officers and employees for acceptance in the total amount of 4,820,645. The exercise price is $0.50 per option and expiry date is June 5, 2022. Subsequent to that grant of options, there are 3,258,319 shares remaining available for issuance under the stock option plan. On July 16, 2013, at the annual general and special meeting of the Company, the shareholders voted to approve an Amended Stock Option Plan, which is available for review on SEDAR. To date, the Company has not approved the grant of any stock options pursuant to the terms of the Amended Stock Option Plan.

Other than those issued under Warrant Purchase Agreement or the stock option plan (and the Proportionate Voting Shares each of which is convertible into 1000 common shares), there were no warrants, stock options or other securities convertible into common shares outstanding on June 30, 2013.

Legal Proceedings

The Company is a party to several legal proceedings which are incidental to the ordinary course of business. 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, as of the date of the filing of this MD&A, there is only one threatened or pending legal matter that could have a material impact on our consolidated results of operations, financial position or cash flows.

In 2012, the Company assigned a 25% participation interest in the Vermilion Area 376 #A-3 and #A-4 wells in consideration of the assignee paying it's agreed to proportionate share of the drilling, completion and lease operating costs. The assignee failed to pay certain invoiced amounts and on November 20, 2012 the Company, as operator of the wells, filed a lien in the amount of $2,264,701.15 against the interest in the wells. Additionally, on March 27, 2013, the Company filed an action to recover all amounts due per the lien in addition to unpaid lease operating expenses, damages, interest, attorney fees, etc. In response, the assignee of the interest and three of its affiliates filed counter-claims against the Company seeking damages. The assignee *et al* also named certain officers and/or directors of the Company as defendants in the action and the Company has agreed to indemnify and defend those individuals as the claims asserted against each of them is based on the same facts and circumstances alleged against the Company. The Company asserts that it has valid defenses to the counter-claims and is of the opinion that it will not be subject to any material damage award in the matter.

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.

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.

Date

This MD&A is dated August 21, 2013.

Additional Information

Additional information regarding the Company is available at SEDAR www.sedar.com and at www.roosterenergyltd.com

APPENDIX A

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
EBITDAX [(a)] Calculation:				
Income (loss)	58,796	(619,091)	(662,677)	(2,915,711)
DD&A	2,150,488	1,647,472	4,664,744	2,583,398
Exploration and evaluation	46,030	0	2,159,159	(303,543)
Non-cash plug and abandonment	0	940,000	0	940,000
Bad debt expense	184,685	0	2,670,862	0
Stock-based compensation	177,884	99,130	395,297	99,130
Finance expenses and unrealized loss on financing warrants	2,810,045	149,838	4,028,765	361,660
Impairment expense	0	0	0	0
Deferred tax expense (recovery)	759,000	0	(85,000)	0
EBITDAX	6,186,928	2,217,349	13,171,150	764,934

(a) EBITDAX is a non-IFRS measure commonly used in the oil and gas industry. Such measures do not conform to IFRS and may not be comparable to those reported by other companies nor should they be viewed as an alternative to other measures of financial performance calculated in accordance with IFRS. The company defines EBITDAX as net income before finance expense, taxes, depreciation, amortization, accretion, exploration and evaluation, bad debt, impairments, stock-based compensation, and the non-cash portion of plug and abandonment expense.