ROOSTER ENERGY LTD.

Management Discussion and Analysis
June 30, 2014

This management discussion and analysis ("MD&A") of Rooster Energy Ltd. ("Rooster" or, the "Company") reflects its June 30, 2014 financial results and operations as well as all material developments following June 30, 2014 to August 29, 2014, the date this MD&A was approved by the Board of Directors of the Company. 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, 2014 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, 2013. All dollar amounts are stated in United States of America 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 Gulf of Mexico. At June 30, 2014, our primary assets consist of operating rights interests and/or record title interests in 15 oil and gas leases or blocks granted by the United States of America that contain 22 gross producing oil and/or natural gas wells.

Our core business and strategy is focused on the development of our inventory of oil and natural gas leases and the production and sale of oil and natural gas from those leases. The Company has identified drilling locations to which it 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 almost 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 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 obtain and retain drilling rigs, personnel and supplies to carry out drilling and other operations in a safe and cost effective manner; (ii) the ultimate results of such drilling or other 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.
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, L.L.C. The transaction was treated as a reverse acquisition of the Company by Rooster Energy, L.L.C. 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 Rooster and its wholly owned 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 2014

At June 30, 2014, the Company's interests in oil and natural gas leases consisted of ownership in 15 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 the quarter ended June 30, 2014 ("Q2 2014"), the Company's net crude oil sales averaged 677 barrels oil per day (BOPD), net natural gas liquids (NGL) sales averaged 58 barrels of oil equivalent per day (BOEPD), and net natural gas sales averaged 3,448 thousand cubic feet per day (MCFPD) (or 575 BOEPD); in aggregate, total crude oil, NGL, and natural gas sales averaged 1,310 BOEPD in Q2 2014. The Company's five operated properties located at Vermilion 376, Grand Isle 70, East Cameron 36/37, Eugene Island 28 and High Island 141, comprised 93% of Q2 2014 sale volumes.

The Company produced 119,199 barrels of oil equivalent ("BOE") in Q2 2014, compared to 210,684 BOE produced in the quarter ended June 30, 2013 ("Q2 2013), a 43% decline. Lower production primarily reflects the lack of new production since our 2012 drilling program, as well as lower production from the East Cameron 37 #A-2 well, which was shut-in after watering out in November, 2013. In Q2 2014, the Company generated EBITDAX of $3,319,191 compared to $6,186,928 generated in Q2 2013, a 46% decline. Loss of revenue from lower production volumes in Q2 2014 were partially offset by higher realized prices from the sales of productionthat included and recognized a shift in the Company's production mix to a higher percentage of liquids (for calculation, see Appendix A).

The Company recorded a net loss of $2,744,212 in Q2 2014 compared to net income of $58,796 recorded in Q2 2013. However, recorded net income was weighed down by several non-cash expenses, including stock-based compensation and an unrealized loss on financing warrants. Funds generated from operations (including dry hole costs) totaled $1,357,165 in Q2 2014, compared to $5,181,589 in Q2 2013, a 74% decline (see Non-IFRS Financial Measures on page 9). The decline is primarily the result of lower EBITDAX.

Business in Q2 2014

On March 19, 2014, the Company submitted the high bid of $172,172 on an oil and gas lease of Ship Shoal 172 at the Central Gulf of Mexico Federal Lease Sale 231. In May 2014, the lease was awarded to the Company. With the award of the new lease at Ship Shoal 172, the Company has an inventory of five (5) primary term oil and gas leases with potential future drilling locations.

In April, 2014, the Company added compression equipment to increase production at Grand Isle 70 in which it owns 100% working interest ("WI"). On May 25, 2014, the Company recommenced production at High Island 141 (44% WI) following a settlement of litigation with the owner of the host production facility at High Island 154 regarding the rights of the Company to process production from High Island 141.

In July, 2014, the Company announced its intention to commence a private offering of US$100 million of senior secured notes. We have received considerable interest in the offering and anticipate finalizing the terms of the note offering or other financing in late September or October. Proceeds from a financing, combined with the proposed new revolving credit facility discussed in the "Other Subsequent Events" section that follows herein, should enable the Company to begin execution on its 2014-2015 drilling and recompletion program. Concurrent with the closing of a financing, the Company intends to consummate the acquisitions of Cochon Properties, LLC ("Cochon") and Morrison Well Services, LLC that were approved by shareholders on May 16, 2014.

Selected Annual Information

The following financial and operating data are selected information for the Company for the three (3) most recently completed financial years, reflecting the results of operations of the Company for the years ended December 31, 2013, 2012, and 2011:

Financial	For the years ended December 31,		
	2013	2012	2011
Total revenues	$ 41,048,401	$ 34,221,262	$ 21,001,250
Operating income (loss)	3,239,373	2,448,865	4,477,521
Unrealized gain (loss) on financing warrants	(25,000)	1,317,000	-
Net interest expense and financing costs	(5,961,224)	(2,165,534)	(952,237)
Deferred income tax expense (recovery)	(713,000)	(5,288,000)	-
Net income (loss)	(2,033,851)	(3,687,669)	3,525,284
Income (loss) per share - basic	(0.02)	(0.04)	0.04
Income (loss) per share - diluted	(0.02)	(0.04)	0.04
Total assets	107,524,633	96,577,261	39,965,322
Total long-term financial liabilities	22,178,904	54,331,401	13,008,253
Cash dividends per share	-	-	-

Results of Operations

The following table summarizes production volumes, average sales prices, operating costs, and net income (loss) for the three and six months ended June 30, 2014 and 2013:

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Sales				
Oil (Bbl)	61,640	76,498	119,952	151,063
NGL (Bbl)	5,263	8,816	10,564	18,691
Natural gas (Mcf)	313,772	752,227	584,318	1,698,390
Total Oil (BOE) [(a)]	119,199	210,684	227,902	452,819
Total Oil (BOE/day) [(a)]	1,310	2,315	1,259	2,502
Oil ($/Bbl)	$ 102.39	$ 103.63	$ 101.09	$ 105.26
NGL ($/Bbl)	38.49	26.00	38.13	27.69
Natural gas ($/Mcf)	4.35	3.42	5.21	3.46
Summary statement of income				
Revenue	$ 7,877,628	$ 10,731,229	$ 15,571,769	$ 22,289,783
Expenses				
Lease operating costs	3,315,940	3,299,099	6,126,843	6,624,686
Depreciation and depletion	1,327,881	2,150,488	2,639,565	4,664,744
Exploration and evaluation	-	46,030	-	2,159,159
Impairment expense (recovery), net	-	-	(714,050)	-
Plug and abandonment	-	-	-	-
General and administrative	1,242,497	1,245,202	2,361,800	2,493,947
Transaction costs	-	-	-	-
Bad debt expense	89,303	184,685	176,276	2,670,862
Asset retirement expense	-	-	-	-
Stock-based compensation	401,805	177,884	817,902	395,297
Total costs and expenses	6,377,426	7,103,388	11,408,336	19,008,695
Operating income (loss)	1,500,202	3,627,841	4,163,433	3,281,088
Unrealized loss on financing warrants	(1,038,000)	(1,515,000)	(287,000)	(1,464,000)
Finance expenses [(b)]	(3,518,414)	(1,295,045)	(5,230,963)	(2,564,765)
Income (loss) before tax expense	(3,056,212)	817,796	(1,354,530)	(747,677)
Deferred tax expense (recovery)	(312,000)	759,000	304,000	(85,000)
Income (loss)	(2,744,212)	58,796	(1,658,530)	(662,677)
Income (loss) per share				
Basic	(0.03)	0.00	(0.02)	(0.01)
Diluted	(0.03)	0.00	(0.02)	(0.01)
Weighted average shares outstanding [(c)]				
Basic	105,468,323	105,465,823	105,468,323	105,465,823
Diluted	105,468,323	105,774,344	105,468,323	105,465,823
Capital expenditures	$ 573,844	$ 9,677,716	$ 2,562,337	$ 9,920,031
EBITDAX [(d)]	$ 3,319,191	$ 6,186,928	$ 7,083,126	$ 13,171,150

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

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

(c) 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.

(d) 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, depletion, amortization, accretion, exploration and evaluation expense, bad debt, impairments, stock-based compensation, and the non-cash portion of plug and abandonment expense. (See Appendix A.)

Sale Volumes

Crude oil sales totaled 61,640 barrels (677 BOPD) in Q2 2014 compared to 76,498 barrels (841 BOPD) in Q2 2013, a decline of 14,858 barrels (-19%). For the six months ended June 30, 2014, crude oil sales totaled 119,952 barrels (663 BOPD) compared to 151,063 barrels (835 BOPD) for the six months ended June 30, 2013, a decline of 31,111 barrels (-21%). Lower sales primarily reflect lack of new production since our 2012 drilling program. However, in May, 2014, we resumed production at the High Island 141 field; for the month of June, 2014, the field contributed approximately 120 BOPD (net) to our sale volumes.

NGL sales totaled 5,263 BOE (58 BOEPD) in Q2 2014 compared to 8,816 BOE (97 BOEPD) in Q2 2013, a decline of 3,553 BOE (-40%). For the six months ended June 30, 2014, NGL sales totaled 10,564 BOE (58 BOEPD) compared to 18,691 BOE (103 BOEPD) for the six months ended June 30, 2013, a decline of 8,127 BOE (-43%). Natural gas sales totaled 313,772 MCF (3,448 MCFPD) in Q2 2014 compared to 752,227 MCF (8,266 MCFPD) in Q2 2013, a decline of 438,455 MCF (-58%). For the six months ended June 30, 2014, natural gas sales totaled 584,318 barrels (3,228 MCFPD) compared to 1,698,390 MCF (9,383 MCFPD) for the six months ended June 30, 2013, a decline of 1,114,072 MCF (-66%). Lower sales primarily reflect lack of new production since our 2012 drilling program, as well as lower production from the East Cameron 37 #A-2 well, which was shut-in after watering out in November, 2013. In April, 2014, we installed a compressor at Grand Isle 70; the field contributed approximately 1,400 MCFPD (net) to our Q2 2014 sale volumes.

In aggregate, crude oil, NGL and natural gas sales totaled 119,199 BOE (1,310 BOEPD) in Q2 2014 compared to 210,684 BOE (2,315 BOEPD) in Q2 2013, a decline of 91,485 BOE (-43%). For the six months ended June 30, 2014, aggregate sales totaled 227,902 BOE (1,259 BOEPD) compared to 452,819 BOE (2,502 BOEPD) for the six months ended June 30, 2013, a decline of 224,917 BOE (-50%). Sales volumes in Q2 2014 comprised: 52% crude oil, 4% NGLs, and 44% natural gas.

Realized Prices

Realized crude oil prices averaged $102.39 per barrel in Q2 2014 compared to $103.63 per barrel in Q2 2013, a decline of $1.24 per barrel (-1%). For the six months ended June 30, 2014, realized crude oil prices averaged $101.09 per barrel compared to $105.26 per barrel for the six months ended June 30, 2013, a decline of $4.17 per barrel (-4%). 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. A 10% increase in WTI crude prices in Q2 2014 were largely offset by a drop in the LLS premium to WTI.

Realized NGL prices averaged $38.49 per barrel in Q2 2014 compared to $26.00 per barrel in Q2 2013, an increase of $12.49 per barrel (+48%). For the six months ended June 30, 2014, realized NGL prices averaged $38.13 per barrel compared to $27.69 per barrel for the six months ended June 30, 2013, an increase of $10.44 per barrel (+38%). The increase in Q2 2014 primarily reflects overall increases in domestic NGL prices, as well as improvements in product mix.

Realized natural gas prices averaged $4.35 per MCF in Q2 2014 compared to $3.42 per MCF in Q2 2013, an increase of $0.93 per MCF (+27%). For the six months ended June 30, 2014, realized natural gas prices averaged $5.21 per MCF compared to $3.46 per MCF for the six months ended June 30, 2013, an increase of $1.75 per MCF (+51%). Higher realized prices primarily reflect higher domestic natural gas prices; prices at the Henry Hub were up 15% in Q2 2014 from year-ago levels. In addition, we have historically realized a relatively low price at our East Cameron 36/37 field; lower sale volumes associated with this field resulted in a higher overall company-wide realized price.

In aggregate, realized prices averaged $66.09 per BOE in Q2 2014 compared to $50.94 per BOE in Q2 2013, an increase of $15.15 per BOE (+30%). For the six months ended June 30, 2014, aggregate realized prices averaged $68.33 per BOE compared to $49.22 per BOE for the six months ended June 30, 2013, an increase of $19.11 per BOE (+39%). Higher aggregate prices are primarily the result of a shift in the Company's production mix to a higher percentage of liquids (crude, condensate and NGLs).

Revenues

Crude oil revenues totaled $6,311,295 in Q2 2014 compared to $7,927,741 in Q2 2013, a decline of $1,616,446 (-20%). The decline in Q2 2014 reflects a 19% drop in sale volumes and a 1% decline in the average realized price. For the six months ended June 30, 2014, crude oil revenues totaled $12,125,991 compared to $15,900,824 for the six months ended June 30, 2013, a decline of $3,774,833 (-24%). The decline for the six months ended June 30, 2014, reflects a 21% drop in sale volumes and a 3% decline in the average realized price.

NGL revenues totaled $202,605 in Q2 2014 compared to $229,173 in Q2 2014, a decline of $26,568 (-12%). The decline in Q2 2014 reflects a 40% drop in sales volumes, partially offset by a 48% increase in the average realized price. For the six months ended June 30, 2014, NGL revenues totaled $402,782 compared to $517,497 for the six months ended June 30, 2013, a decline of $114,715 (-22%). The decline for the six months ended June 30, 2014, reflects a 43% drop in sale volumes, partially offset by a 38% increase in the average realized price.

Natural gas revenues totaled $1,363,728 in Q2 2014 compared to $2,574,315 in Q2 2013, a decline of $1,210,587 (-47%). The decline reflects a 58% drop in sales volumes, partially offset by a 27% increase in the average realized price. For the six months ended June 30, 2014, natural gas revenues totaled $3,042,996 compared to $5,871,462 for the six months ended June 30, 2013, a decline of $2,828,466 (-48%). The decline for the six months ended June 30, 2014, reflects a 66% drop in sale volumes, partially offset by a 51% increase in the average realized price.

Total revenues totaled $7,877,628 in Q2 2014 compared to $10,731,229 in Q2 2013, a decline of $2,853,601 (-27%). The decline reflects a 43% drop in sales volumes, partially offset by a 30% increase in the average realized price. For the six months ended June 30, 2014, total revenues totaled $15,571,769 compared to $22,289,783 for the six months ended June 30, 2013, a decline of $6,718,014 (-30%). The decline for the six months ended June 30, 2014, reflects a 50% drop in sale volumes, partially offset by a 39% increase in the average realized price.

Expenses

Lease operating expenses totaled $3,315,940 in Q2 2014 compared to $3,299,099 in Q2 2013, an increase of $16,841 (+1%). For the six months ended June 30, 2014, lease operating expenses totaled $6,126,843 compared to $6,624,686 for the six months ended June 30, 2013, a decline of $497,843 (-8%). Lower lease operating expenses associated with the Company's producing fields were offset by initial non-recurring start-up costs related to the resumption of production at the High Island 141 field. Lease operating expenses averaged $27.82 per BOE in Q2 2014 compared to $15.66 per BOE in Q2 2013, which represents a 78% increase in per unit operating expenses. The higher per unit expenses in Q2 2014 primarily reflect the shift in the Company's production mix to a higher percentage of liquids, as oil fields generally require greater fixed operating costs than natural gas fields.

Depreciation and depletion expenses totaled $1,327,881 in Q2 2014 compared to $2,150,488 in Q2 2013, a decline of $822,607 (-38%). For the six months ended June 30, 2014, depreciation and depletion expenses totaled $2,639,565 compared to $4,664,743 for the six months ended June 30, 2013, a decline of $2,025,178 (-43%). Lower depreciation and depletion expenses reflect lower production volumes. Depreciation and depletion expenses averaged $11.14 per BOE in Q2 2014 compared to $10.21 per BOE in Q2 2013, which represents a 9% increase in per unit expenses.

General and administrative expenses totaled $1,242,497 in Q2 2014 compared to $1,245,202 in Q2 2013, a decrease of $2,705 (-0%). For the six months ended June 30, 2014, general and administrative expenses totaled $2,361,800 compared to $2,493,947 for the six months ended June 30, 2013, a decline of $132,147 (-5%). General and administrative expenses averaged $10.42 per BOE in Q2 2014 compared to $5.91 per BOE in Q2 2013, which represents a 76% increase in per unit expenses.

Impairment recovery for the six months ended June 30, 2014, totaled $714,050. At High Island 141, the Company recorded impairment expense in 2013 to reflect capital expenditures that would be required to construct a flowline to a new host production facility since we were no longer able to process at High Island 154 due to ongoing litigation. However, subsequent to year-end 2013, the Company entered into a settlement with the owner of the facility at High Island 154 to which the High Island 141 field had previously produced. As a result, the High Island 141 field recommenced production in May, 2014, without the need for additional capital expenditures that would have been required to construct a flowline to a new host facility. In recognition of the fact that capital will not be expended to construct a new flowline, the Company reversed the $714,050 impairment charge recorded in 2013.

Bad debt expenses totaled $89,303 in Q2 2014, and $176,276 for the six months ended June 30, 2014. The majority of the bad debt expense relates to an allowance for the non-payment of capital and operating expenses by the owner of a participating interest in two wells at Vermilion 376 (see "Legal Proceedings").

Stock-based compensation expenses totaled $401,805 in Q2 2014 and $817,902 for the six months ended June 30, 2014. These expenses relate to the amortization of costs associated with employee, officer and director stock options granted in June, 2012, and September, 2013.

Finance expenses totaled $3,518,414 (cash expenses totaled $1,361,250) in Q2 2014 and $5,230,963 for the six months ended June 30, 2014. Finance expenses primarily comprised: 1) interest and accretion of debt discounts associated with the Company's related party notes payable; 2) interest and accretion of debt discount associated with $22,500,000 of Senior Secured Notes that were issued on October 22, 2012 (the "Senior Secured Notes"); and 3) accretion of the Company's liability for asset retirement obligations ("ARO").

Other expenses totaled $1,038,000 in Q2 2014 and $287,000 for the six months ended June 30, 2014. Other items relate to unrealized losses on financing warrants issued in conjunction with the Senior Secured Notes (see "Liquidity"). The increase in the Company's publicly-traded stock price increased the liability associated with the financing warrants, which required the Company to record an unrealized (non-cash) loss.

Deferred tax expense (recovery) totaled ($312,000) in Q2 2014 and $304,000 for the six months ended June 30, 2014. 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.

Net Income

Net income (loss) totaled ($2,744,212) in Q2 2014 compared to $58,796 in Q2 2013, a decline of $2,803,008. For the six months ended June 30, 2014, net income totaled ($1,658,530) compared to ($662,677) for the six months ended June 30, 2013, a decline of $995,853. Recorded net income in Q2 2014 was weighed down by several non-cash expenses, including stock-based compensation and an unrealized loss on financing warrants.

Funds generated from operations (including dry hole costs) totaled $1,357,165 in Q2 2014 compared to $5,181,589 in Q2 2013, a decline of $3,824,424 (-74%). For the six months ended June 30, 2014, funds generated from operations (including dry hole costs) totaled $3,996,870 compared to $6,797,197 for the six months ended June 30, 2013, a decline of $2,800,327 (see Non-IFRS Financial Measures below). The decline in Q2 2014 is primarily the result of lower EBITDAX (for calculation, see Appendix A).

Other Non-IFRS Financial Measurements

Included in this 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.

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,	
	2014	2013	2014	2013
Cash provided (used) by operating activities	4,060,478	6,974,879	6,986,921	9,666,214
Change in non-cash working capital items	(3,133,972)	(1,788,805)	(3,426,370)	(1,433,838)
Cash abandonment costs	430,659	41,545	436,319	723,980
Dry hole costs	-	(46,030)	-	(2,159,159)
Funds generated from operations (including dry hole costs)	1,357,165	5,181,589	3,996,870	6,797,197

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 in the late summer/early fall (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 Q2 2014.

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							
	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012
Revenues	$ 7,877,628	$ 7,694,141	$ 8,128,381	$ 10,630,237	$ 10,731,229	$ 11,558,554	$ 12,061,865	$ 12,997,594
Income (loss)	(2,744,212)	1,085,682	(3,394,147)	2,022,974	58,796	(721,474)	(5,792,837)	5,020,879
Net income (loss)	(2,744,212)	1,085,682	(3,394,147)	2,022,974	58,796	(721,474)	(5,792,837)	5,020,879
Net income (loss) per share - basic	(0.03)	0.01	(0.03)	0.02	-	(0.01)	(0.05)	0.05
Net income (loss) per share - diluted	(0.03)	0.01	(0.03)	0.02	-	(0.01)	(0.05)	0.05
OPERATIONS								
Sales								
Oil (Bbl)	61,640	58,312	63,260	75,096	76,498	74,565	78,242	82,984
NGL (Bbl)	5,263	5,301	9,193	5,990	8,816	9,876	19,592	29,581
Natural gas (Mcf)	313,772	270,545	462,735	695,145	752,227	946,163	969,198	1,175,480
Oil (BOE) (1)	119,199	108,703	149,575	196,944	210,684	242,135	259,368	308,478
Oil (BOE/day) (1)	1,310	1,182	1,626	2,141	2,315	2,690	2,819	3,353
Oil ($/Bbl)	$ 102.39	$ 99.72	$ 98.12	$ 108.99	$ 103.63	$ 106.93	$ 103.48	$ 103.94
NGL ($/Bbl)	38.49	37.76	33.62	19.01	26.00	29.20	30.12	30.09
Natural gas ($/Mcf)	4.35	6.21	3.48	3.35	3.42	3.48	3.48	2.96
Operating revenue								
Oil	$ 6,311,295	$ 5,814,696	$ 6,207,383	$ 8,184,498	$ 7,927,741	$ 7,973,082	$ 8,096,185	$ 8,625,723
NGL	202,605	200,178	309,030	113,880	229,173	288,325	590,160	890,182
Natural gas	1,363,728	1,679,267	1,611,968	2,331,859	2,574,315	3,297,147	3,375,520	3,478,439
Handling fees	-	-	-	-	-	-	-	3,250
Total	7,877,628	7,694,141	8,128,381	10,630,237	10,731,229	11,558,554	12,061,865	12,997,594
Expenses								
Lease operating expense	3,315,940	2,810,903	2,934,138	2,791,161	3,299,099	3,325,587	3,497,410	3,381,855
Lease operating expense per BOE (1)	27.82	25.86	19.62	14.17	15.66	13.73	13.48	10.96

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

Liquidity

As disclosed in prior periods, on October 22, 2012, the Company entered into a Note Purchase Agreement (the “NPA”) under which Rooster Oil & Gas, LLC, and Probe Resources US Ltd., as Co-Issuers, issued the Senior Secured Notes due on October 22, 2014 in the aggregate principal amount of $22,500,000.. The Senior Secured 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 Senior Secured Notes bear interest at a default rate equal to 18% per annum with interest payments due quarterly. The Company and its wholly owned subsidiary, Rooster Energy, L.L.C., are guarantors of the obligations of the Co-Issuers under the NPA 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 Senior Secured 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 Senior Secured Notes were used to repay certain obligations of the Company.

On October 11, 2013, the Company entered into a subordinated secured credit facility 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 provides for borrowing up to CDN $8.0

million to be used for general corporate purposes. The initial advance under the credit facility was CDN $4.0 million (less a 2% original issue discount and administrative fees) resulting in proceeds to the Company of $3,234,466. The interest rate is 9% per annum on all advances, and the credit facility matures 181 days following full satisfaction of the terms of the NPA, as amended. Additionally, it is secured only by certain oil and gas properties and proceeds therefrom owned by Probe Resources US Ltd. The net proceeds of the initial advance were used to pay certain accounts payable of the Company.

Effective March 7, 2014, the Company entered into an additional secured credit facility (the "Second Credit Facility") which provides for borrowing up to US $10 million, to be used for general corporate purposes. The initial advance under the Second Credit Facility was US $4.4 million, net of an original issue discount of 10% for a funded amount equal to US $4 million. In May, 2014, the Company drew an additional US $2.8 million for a funded amount equal to US $2.5 million net of original issue discount. The interest rate is 14% per annum on all advances under the Second Credit Facility and the maturity date is 181 days after the full satisfaction of the terms of the Notes. The Second Credit Facility is secured by all oil and gas properties and assets owned by Rooster Oil & Gas, LLC, and the Company is the guarantor of any indebtedness owed under the Second Credit Facility. The Second Credit Facility is fully subordinated to the Senior Secured Notes pursuant to the terms of a subordination and intercreditor agreement.

In order to enter into the Second Credit Facility, the Company obtained the consent of the holders of the Senior Secured Notes pursuant to a second amendment to NPA dated March 7, 2014 (the "Second Amendment"). The Second Amendment material terms include that (a) the holders of the Senior Secured Notes waive any provisions under the Senior Secured Notes that would prohibit, impair or restrict the ability of the Company to consummate the loan under the Second Credit Facility; (b) that the Company restrict any payments under the Second Credit Facility as provided for in a subordination agreement; and (c) that in addition to all amounts repaid under the terms of the Senior Secured Notes, the Company shall pay an additional repayment premium in an amount equal to three percent (3%) of the principal amount of the Senior Secured Notes.

Effective March 7, 2014, the Company entered into membership interest contribution agreements whereby the Company agreed to acquire all of the membership interests of Well Services and Cochon for aggregate consideration of $125 million, with $95 million and $30 million relating to the acquisitions of Well Services and Cochon, respectively, subject to working capital adjustments as outlined in the membership interest contribution agreements. Of the total consideration, $10 million (plus or minus any working capital adjustments) is payable by the Company in cash (or assumed indebtedness of Well Services that will be satisfied immediately upon consummation of the acquisition), with the remaining amount payable by way of common shares of the Company (or proportionate voting shares of the Company, if so elected by any of the members of Cochon or the sole member of Wells Services). The number of common shares to be issued will equal that number obtained by dividing $115 million by the average daily closing price of the Rooster common shares for the 20 consecutive trading days on which shares are actually traded and quoted on the TSX Venture Exchange ending on and including the date that is 10 business days prior to the special shareholder meeting to approve the transactions, subject to a minimum price of CDN $0.40 and a maximum price of CDN $0.70. Pursuant to the transactions, Well Services and Cochon will each become a wholly-owned subsidiary of the Company. Well Services and Cochon are owned, in whole or in significant part, and controlled by Chester F. Morrison, Jr., a related party who is an approximate 62% shareholder and director of the Company. The transactions are expected close late third quarter of fiscal 2014, subject to, among other conditions, receipt of required regulatory approval.

Chester F. Morrison, Jr., the majority shareholder of the Company and a director, owns 90% of the membership interest in Cochon and wholly owns and controls, indirectly, Wells Services. Accordingly, the acquisition constitutes a related party transaction for the purposes of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") and must receive minority approval (as such term is defined in MI 61-101) of the shareholders of the Company. The majority required to pass the resolution approving the acquisition was not less than 50% of the votes cast by the shareholders represented in person or by proxy at the special meeting of shareholders to be held on May 16, 2014, excluding votes attributable to those shares of the Company owned or controlled, directly or indirectly, by Mr. Morrison. The K2 Principal Fund, L.P. ("K2"), owner of approximately 51.29% of the issued and outstanding common shares of the Company and approximately 19.65% of the equity in voting interests in the Company, entered into a support agreement to vote all of its shares in favor of the acquisition. The common shares held by K2 represent more than 51% of the votes attached to the minority of Company shares entitled to vote on the acquisitions.

Well Services is a special purpose entity organized to acquire the assets of the well services division of Chet Morrison Contractors, LLC and thereafter conduct a well services business that will generate revenues and cash flows primarily by performing down-hole and subsea oil and gas well plug and abandonment services. The services provided are marketed to almost all operators of oil and gas wells located in the U.S. Gulf of Mexico.

Cochon owns twelve (12) oil and gas leases containing approximately 15,985 gross acres covering leases at Eugene Island 18, Vermilion 67, and West Delta 44 & 45; for the three months ended June 30, 2014, the three fields produced 106,845 BOE, or 1,174 BOE per day (41% liquids). At December 31, 2013, Cochon's proved and probable reserves totaled 4,276,276 BOE (63% proved, 28% liquids) with a NPV-10% of $63,966,136 (53% proved).

In order to enter into the membership interest contribution agreements for Well Services and Cochon, the Company obtained the consent of the holders of the Senior Secured Notes pursuant to a limited consent and forbearance agreement dated March 7, 2014 (the "Limited Consent"). Therein, the holders of the Notes and the Company acknowledged that at the end of fourth quarter of 2013, the Company was in existing and continuing default of the collateral coverage ratio covenant of the Senior Secured Notes (the "Specified Default") and in order to allow for the acquisition of Cochon and Well Services, the Limited Consent provides that, the holders of the Senior Secured Notes will forbear from exercising certain rights and remedies under the NPA and certain related documents in respect of the Specified Default until the date which is the earliest to occur of the date *inter alia* (a) that any representation or warranty made by any holder of the Senior Secured Notes in the Limited Consent is false; (b) that certain voluntary or involuntary insolvency proceedings in relation to a holder of the Senior Secured Notes is commenced; (c) of the occurrence after the effective date of the forbearance obligations in the Limited Consent of an event of default other than the Specified Default; (d) that any litigation is commenced by a holder of the Senior Secured Notes in relation to the NPA or the Limited Consent or other documents related thereto; (e) of the exercise by any creditor or holder of indebtedness of the Company of any rights available to them in connection with the indebtedness including but not limited to foreclosure or enforcement against any collateral of the Company; (f) of the payment in full of the obligations under the NPA; (g) March 21, 2014 unless the Company received a fairness opinion in respect of the acquisition of Cochon and Well Services prior to such date and; (h) August 31, 2014.

On March 14, 2014, Cowen and Company, LLC, issued an opinion to the Company opining that subject to certain assumptions and limitations, the purchase price to be paid for Cochon and Well Services is fair from a financial point of view to the Company.

At June 30, 2014, the Company had a working capital deficiency of $51,252,434, including outstanding loans payable amounts, i.e., the Senior Secured Notes and the related party loans, which are due within the current year. Management has taken a number of steps to address the Company's liquidity situation, including entering into two material acquisition agreements which are anticipated to contribute significant additional positive cash flows and cost synergies. The Company is also currently engaged in discussions for a new credit facility, and may pursue issuing additional equity following the anticipated closing of the acquisitions (see Other Subsequent Events).

Management believes that these transactions, combined with the Company's ongoing positive cash flows from operating activities and the continued support of its major shareholders, will be sufficient to fund its ongoing operations and fund its capital expenditures program over the upcoming year.

There is however, no assurance that the necessary financing will be obtained and accordingly there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of business.

Asset Retirement Obligations

In addition to the amounts owed at June 30, 2014, the Company has an ongoing liability with respect to the plugging and abandonment of wells and decommissioning of facilities totaling $18,396,603 on a discounted basis. 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, 2014, 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)	22,500,000	22,500,000	-	-	-
Related Party Subordinate Note (3)	3,746,800	3,746,800	-	-	-
Related Party Subordinate Note (4)	7,150,000	7,150,000	-	-	-
	$ 39,859,800	$ 39,859,800	$ -	$ -	$ -

(1) Matures on April 2014. However, subject to an intercreditor subordination agreement payment is not required until payment of the Senior Secured Notes.

(2) Payable on August 31, 2014 with interest at 18% paid quarterly. The Company aslo has 9,000,000 warrants outstanding in connection with the Senior Secured Notes.

(3) CAN$4,000,000 payable 181 days after full satisfaction of the Senior Secured Notes with interest at 9% paid in arrears.

(4) Payable 181 days after full satisfaction of the Senior Secured Notes with interest at 14% paid in arrears.

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 beginning July 1, 2013 through June 30, 2014 the base rental rate was $16,720 per month.

Capital Expenditures

Capital expenditures totaled $573,844 in Q2 2014 compared to $9,677,716 in Q2 2013, a decline of $9,103,872 (-94%). For the six months ended June 30, 2014, capital expenditures totaled $2,562,337 compared to $9,920,031 for the six months ended June 30, 2013, a decline of $7,357,694 (-74%). Capital expenditures in Q2 2014 primarily reflect: 1) costs associated with installing a compressor at Grand Isle 70; and 2) costs related to the acquisition of the Ship Shoal 172 lease.

Off-Balance Sheet Arrangements

At June 30, 2014 the Company is not party to, and not currently party to, any off-balance sheet arrangements.

Financial Instruments and Other Instruments

As at June 30, 2014, the Company had no fixed price delivery contracts, nor did the Company have any derivative securities, financial or other instruments.

Transactions with Related Parties

As at June 30, 2014, the Company had the following transactions and balances with related parties:

- Accounts payable and accrued liabilities to directors and/or entities associated with directors, totaled $nil at June 30, 2014. In Q2 2014 the Company recorded additional purchases from Chet Morrison Contractors, LLC in the amount of $67,998. In addition, at June 30, 2014, the Company had accounts payable in the amount of $4,199,899 due and owing to Chet Morrison Contractors, LLC, which is indirectly owned and 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 of $1,798,069. Interest expense recorded during Q2 2014 was $236,888. The debt is secured by certain assets of Probe Resources US Ltd. Paul Crilly is a director of the Company and a managing director of K2 & Associates Investment Management Inc., the general partner of The K2 Principal Fund L.P.

- In October, 2013, the Company entered into a subordinated secured credit facility which provides for borrowing up to CDN $8.0 million, with an initial advance of CDN $4.0 million (see "Liquidity"). At June 30, 2014, accrued interest related to the credit facility totaled $224,601 and the liability on the financial statements was $3,470,565. The K2 Principal Fund L.P. serves as "Administrative Agent" under the credit facility and it is also a participating lender in the credit facility along with Chester F. Morrison, Jr. The K2 Principal Fund, L.P. and Mr. Morrison are related parties to the Company and neither is a chartered bank, trust company or treasury bank.

- In March 2014, the Company entered into a secured credit facility 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 June 30, 2014, accrued interest related to the credit facility totaled $244,848 and the liability on the financial statements was $6,867,775. Mr. Morrison is a related party to the Company and is not a chartered bank, trust company or treasury bank.

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 the date hereof, there were 65,071 proportionate voting shares (each convertible to 1,000 common shares) and 40,397,323 common shares issued and outstanding or the issued share capital on a fully diluted basis was the equivalent of 105,468,323 common shares. No preferred shares are issued or outstanding.

In association with the NPA, as amended (see "Liquidity"), the Company entered into a Warrant Purchase Agreement with a five-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 CDN $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 CDN $0.50 per option and expiry date is June 5, 2022. As of June 30, 2014 there have been 6,666 options exercised and 53,334 options forfeited.

On July 16, 2013, the shareholders of the Company voted to amend and restate the stock option plan and approved the Rooster Energy Ltd. 2013 Stock Incentive Plan. On September 11, 2013, the Company awarded stock options to directors, senior officers and employees for acceptance in the total amount of 4,532,759 common shares. The exercise price is CDN $0.82 per option and expiry date is September 11, 2023.

On May 16, 2014, the Company awarded stock options to an employee for acceptance in the total amount of 300,000 common shares. The exercise price is CDN $0.61 per option and expiry date is May 16, 2024. Subsequent to the foregoing awards, the number of common shares available for future award under the Rooster Energy Ltd. 2013 Stock Incentive Plan is 11,743,106.

Other than those issued under the Warrant Purchase Agreement, or the Rooster Energy Ltd. 2013 Stock Incentive Plan (and the proportionate voting shares (each of which is convertible into 1,000 common shares), there were no warrants, stock options or other securities convertible into common shares outstanding on June 30, 2014.

Legal Proceedings

At June 30, 2014, the Company was a party to several legal proceedings which were 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, at June 30, 2014 the following described lawsuits were the only two threatened or pending legal matters that could have a material impact on our consolidated results of operations, financial position or cash flows and subsequent to the end of Q2 2014 both of the following actions (the "Implicit Lawsuits") were settled and the cases dismissed (See "Other Subsequent Events").

376 OG Holdings, LLC, vs. Texas OG Acquisitions, LLC, CA No. 6:12CV2534, USDC, W.D. La. (Lafayette Div)

On February 5, 2013, Rooster Petroleum, LLC, intervened in the above noted action to assert an operators oil and gas lien or privilege in the amount of $2,264,701 for unpaid drilling and completion costs against the working interest allegedly owned by Texas OG Holdings, LLC, in the Rooster Vermilion 376 #A-3 & #A-4 Wells (for purposes of this section only, the "Wells") which was pending foreclosure by 376 OG Holdings, LLC, and sale by the U.S. Marshall.

Rooster Petroleum, LLC asserted that its lien on the Wells for moneys owed to it by Implicit Oil & Gas (VR 376), LLC ("Implicit"), the alleged successor to Texas OG Holdings, was superior in rank to the mortgage at issue. The foreclosure order was subsequently withdrawn.

On September 30, 2013, Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC (for purposes of this section only, together "the Rooster Interveners") filed a first amended complaint in intervention against the defendants (and added additional related parties an alleged 20 causes of action seeking primarily rescission of the sale of the working interest at issue, declaratory relief and money damages all related to the drilling, completion and operation of the Wells and the attempted sale to enforce the mortgage on the working interest. In connection with this case, in July 2013, the Rooster Interveners agreed to deposit 18.1665% (approximately the net revenue interest attributable to the working interest in dispute) of the proceeds that it receives from the sale of oil and gas production from the Wells after June 18, 2013 into an escrow account with JPMorgan Chase Bank, NA. The funds in the escrow account can only be released upon consent of all parties to the escrow agreement or by order of the court in this matter. The Rooster Interveners claim they are entitled to all of the funds held in the escrow account which amounted to the approximate sum of $3,599,426 at June 30, 2014.

Rooster Oil & Gas, LLC, & Rooster Petroleum, LLC vs. Birnham Energy Investment Company, L.P. (f/k/a Implicit Oil & Gas, L.P.) & Implicit Oil & Gas (VR 375), LLC, Cause No. 2013-17984, 165th JDC, Harris County, Texas.

On March 27, 2013, Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC (for the purposes of this section only, together, the "Rooster Plaintiffs") filed suit to collect outstanding accounts receivable related to the drilling, completion and operation of the Rooster Vermilion 376 #A-3 & #A-4 Wells (for the purposes of this section only, the "Wells"). On November 21, 2013, Birnham *et al* filed a first amended counterclaim (and added Rooster Energy, L.L.C., and Rooster Energy Ltd. (for purposes of this section only, together with the Rooster Plaintiffs, the "Rooster Entities") as defendants in counterclaim). On or about May 14, 2014, Birnham *et al* filed a second amended counterclaim against the Rooster Entities as defendants in counterclaim. In the second amended counterclaim, Birnham *et al* have alleged nine causes of action seeking money damages and indemnity against the Rooster Entities for various amounts resulting primarily from breach of contract and the subsequent failure or refusal of the Rooster Entities to pay Birnham *et al* for its alleged share of production from the Wells.

Other Subsequent Events

On April 16, 2014, the Company filed Amended Condensed Interim Consolidated Financial Statements of the Company for the Three and Nine Months Ended September 30, 2013 and 2012 and corresponding Amended Management's Discussion and Analysis (the "Q3 Filings"). The Q3 filings have been amended to include disclosure of certain events subsequent to September 30, 2013, including that in connection with the proposed acquisition by the Company of Well Services and Cochon, on March 7, 2014 the Company entered into the Limited Consent and acknowledged the Specified Default. The previously filed information in respect of such September 30, 2013 filings is unchanged other than the addition of the subsequent event disclosure.

On April 16, 2014, the Company filed and mailed to shareholders of record a Management Information Circular disclosing information related to the Company's proposed acquisition of Cochon and Well Services and a proxy to vote on resolutions approving the acquisitions.

On May 16, 2014, at a special meeting of the shareholders, the requisite majority of the minority of shareholders of the Company approved resolutions authorizing the acquisitions of Cochon and Well Services. Upon closing of the acquisitions, the Company is authorized to issue 218,631,179 common shares of which 57,034,221 shares will be issued to the members of Cochon, and 161,596,958 shares will be issued to the member of Well Services.

As a result of the acquisition, the percentage of issued and outstanding equity shares of the Company, on a fully diluted basis, owned or controlled, directly or indirectly, by Mr. Chester F. Morrison, Jr. will increase from 62% to approximately 86%.

On July 7, 2014, the Company entered into a third amendment to the NPA and first amendment to Limited Consent and in consideration of an amendment of the Limited Consent and extension of the termination date therein of July 7, 2014 to August 31, 2014, agreed to a repayment premium amount equal to five percent of the principal amount if the obligations are paid on or before August 1, 2014, or if such principal amount is repaid after August 1, 2014 and on or before August 15, 2014 an amount equal to six percent or if such principal amount is repaid after August 15, 2014 and amount equal to seven percent.

On July 16, 2014, the Company entered into a fourth amendment to NPA wherein it received consent and authorization from the holders of the Senior Secured Notes to permit the execution and performance of a settlement agreement by Rooster Oil & Gas, LLC, whereby the Implicit Lawsuits were compromised, settled and dismissed; and, Rooster Oil & Gas, LLC, acquired an undivided twenty five percent (25%) interest in and to the Vermilion 376 #A-3 and #A-4 Wells and agreed to pay the sum of $3,500,673.90 in consideration of an assignment of that interest which payment is secured by a mortgage in favor of the seller on the acquired interest and all proceeds of production therefrom.

On July 16, 2014, the Company entered into a settlement, release and asset purchase agreement pursuant to which the Implicit Litigation was compromised, settled and dismissed. Additionally, Rooster Oil & Gas, LLC, acquired an undivided twenty five percent (25%) interest in and to the Vermilion 376 #A-3 and #A-4 Wells and agreed to pay pursuant to the terms of a promissory note, the sum of $3,500,673.90 in consideration of an assignment of that interest which payment is secured by a first priority security interest and mortgage in favor of the seller on the acquired interest and all proceeds of production therefrom. The promissory note secured by the mortgage matures on September 15, 2014.

On July 17, 2014, the Company announced that it intended to commence a private offering to eligible purchasers, subject to market and other conditions, of US$100 million in aggregate principal amount of senior secured notes due 2019. The Company intends to use the net proceeds from the proposed offering to repay existing indebtedness, fund the cash portion of the acquisition of all of the membership interest of Well Services and for general corporate purposes.

The notes to be offered have not been registered under the United States Securities Act of 1933, as amended, or any state securities laws and, unless so registered, may not be offered or sold in the United States or to U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The notes also will not be qualified for public distribution under the securities laws of any Canadian jurisdiction and may not be offered or sold in Canada, except pursuant to an exemption from the prospectus requirements of such laws.

The notes will be offered only to persons reasonably believed to be qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act and non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act.

Also on July 17, 2014, the Company announced that it received a proposal for a new revolving credit facility, which will be secured by a first priority lien on substantially all of the Company's assets and those of its subsidiaries, including Well Services and Cochon once the acquisition of same are complete. The Company expects the new revolver will provide it with an initial borrowing base of approximately US$11.5 million based solely upon a recent evaluation of eligible assets of Well Services. Further borrowing capacity is expected to be made available dependent upon the lender's review of oil and gas collateral of the Company. The new revolver remains subject to satisfactory completion of lender due diligence and credit and security documentation.

On August 29, 2014, the Company entered into a fifth amendment to the NPA and second amendment to Limited Consent and in consideration of an amendment of the Limited Consent and extension of the termination date therein of August 31, 2014 until September 30, 2014, agreed to a repayment premium amount equal to five percent of the principal amount if the obligations are paid on or before August 1, 2014; or if such principal amount is repaid after August 1, 2014 and on or before August 15, 2014 an amount equal to six percent; or if such principal amount is repaid after August 15, 2014 and on or before August 31, 2014 an amount equal to seven percent; or if such principal amount is repaid after August 31, 2014 and on or before September 24, 2014 and amount equal to seven and one-half percent; and if such principal amount is repaid after September 24, 2014 an amount equal to nine percent.

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 acquisitions of Cochon and Well Services, including the benefits and timing of completion thereof; the commencement of, and intended use of proceeds from, the offering of the New Notes; availability and terms of the New Credit Facility; 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 29, 2014.

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,	
	2014	2013	2014	2013
EBITDAX [(a)] Calculation:				
Income (loss)	(2,744,212)	58,796	(1,658,530)	(662,677)
DD&A	1,327,881	2,150,488	2,639,565	4,664,744
Exploration and evaluation	-	46,030	-	2,159,159
Non-cash plug and abandonment	-	-	-	-
Bad debt expense	89,303	184,685	176,276	2,670,862
Stock-based compensation	401,805	177,884	817,902	395,297
Finance expenses and unrealized loss on financing warrants	4,556,414	2,810,045	5,517,963	4,028,765
Impairment expense	-	-	(714,050)	-
Asset retirement expense	-	-	-	-
Deferred tax expense (recovery)	(312,000)	759,000	304,000	(85,000)
EBITDAX	3,319,191	6,186,928	7,083,126	13,171,150

(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.