ROOSTER ENERGY LTD.

Management Discussion and Analysis
December 31, 2015

This management discussion and analysis (MD&A) of Rooster Energy Ltd. ("Rooster" or, the "Company") reflects its December 31, 2015 financial results and operations as well as all material developments following December 31, 2015 to April 27, 2016, 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 audited consolidated financial statements and related notes at and for the year ended December 31, 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standards Board (IASB). All dollar amounts are stated in United States of America dollars, unless otherwise noted.

Overview

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

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, LLC, and its wholly owned subsidiaries during that time period, Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC, unless the context indicates otherwise.

We are an integrated oil and gas production company and leading downhole well intervention and decommissioning service provider. The acquisitions of Cochon and Well Services enables us to operate and manage the entire lifecycle of a well from drilling through abandonment and provides us with a significant advantage in exploiting offshore reserves and resources in the Gulf of Mexico. Our oil and gas operations and reserves are located in the state waters of Louisiana and the shallow waters of the Gulf of Mexico, mature regions that have produced since 1936.

Oil & Gas Production Segment

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.

At December, 31, 2015, our oil & gas production segment consisted of twenty (20) gross wells capable of producing, some of which are on leases that have been producing since the 1950s. We have six (6) primary term leases and the remaining leases that we have interest in are held by production. We believe that the quality of our properties and our field acquisition strategy reduces our development risk and promotes operating efficiencies.

Oil & Gas Reserves

The Company's reserves as of December 31, 2015 were evaluated by Netherland, Sewell & Associates, Inc. (NSAI) in accordance with Canadian National Instrument 51-101. Their report, dated April 22, 2016, is available on SEDAR at www.sedar.com. Natural gas is converted to equivalent barrels (BOE) at the energy equivalent conversion rate of 6,000 cubic feet (6 MCF) to one barrel (1 BBL) of crude oil, reflecting the approximate relative energy content. The following summary data reflect the Company's consolidated reserve figures.

	Net Reserves				Future Cash Flow (Pre-Tax)	
	Crude Oil BBL	Cond/NGLs BBL	Natural Gas MCF	Total BOE	Undiscounted	NPV-10%
Proved Developed Producing	68,600	449,500	22,757,500	4,311,017	$ 53,904,400	$ 39,137,000
Proved Developed Non-Producing	960,400	46,000	1,213,800	1,208,700	$ 37,893,400	$ 27,157,600
Proved Undeveloped	439,400	29,900	439,400	542,533	$ 7,341,500	$ 3,212,700
Total Proved	**1,468,400**	**525,400**	**24,410,700**	**6,062,250**	**$ 99,139,300**	**$ 69,507,300**
Probable	1,854,300	2,676,400	36,966,500	10,691,783	$ 200,151,700	$ 108,598,500
Total Proved + Probable	**3,322,700**	**3,201,800**	**61,377,200**	**16,754,033**	**$ 299,291,000**	**$ 178,105,800**

In 2015, we grew our proved & probable reserves by 3.9 million barrels of oil equivalent (MMBOE), or 30%, to 16.8 MMBOE at December 31, 2015, primarily due to revisions at the High Island A494 and Vermilion 67 fields. As of December 31, 2015, our total proved & probable reserves were 16.8 MMBOE (39% proved), consisting of 3.3 MMBO of crude oil, 3.2 MMBOE of condensate & NGLs, and 61.4 BCF of natural gas. The pre-tax NPV-10 value of our proved & probable reserves as of December 31, 2015 was approximately $178.1 million. For the quarter ended December 31, 2015 (Q4 2015), our production averaged 2,228 barrels of oil equivalent per day (BOEPD).

Well Services Segment

Our Well Services segment primarily provides plugging & abandonment ("P&A") services in the shallow waters of the Gulf of Mexico with 16 rigless complementary sets of P&A equipment, or "spreads". A spread consists of a pump powered by a diesel engine, wireline units, cement blenders, tanks and assorted tools. The combined expertise of our oil & gas production and P&A engineers allows us to provide our customers with extensive technical support, exceptional safety performance and high quality customer service. Our customers include many of the largest operators of wells in the Gulf of Mexico.

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

The following tables present the Company's financial information by segment as of December 31, 2015 and 2014 and the respective years then ended.

		2015			
Operating Segments	**Petroleum and natural gas**	**Well Services**	**Corporate allocations**	**Intercompany eliminations**	**Consolidated**
Revenue					
Petroleum and natural gas	$ 20,194,751				$ 20,194,751
Well services		27,912,796		(7,186,707)	20,726,089
Decommissioning contracts		17,041,325			17,041,325
Production handling	206,876				206,876
Revenue before the following	20,401,626	44,954,121	-	(7,186,707)	58,169,040
Realized gain on commodity contracts	8,287,582				8,287,582
Unrealized gain on commodity contracts	1,003,195				1,003,195
Total revenue	29,692,403	44,954,121	-	(7,186,707)	67,459,817
Expenses					
Lease operating	20,857,708			(125,105)	20,732,602
Cost of well services		17,869,093		(4,897,026)	12,972,067
General and administrative	2,066,294	6,378,529	4,024,164		12,468,987
Depreciation and depletion	2,977,801	3,197,484	69,130		6,244,415
Repairs and maintenance		994,982			994,982
Bad debt expense (recovery)	718,072	80,714			798,786
Stock-based compensation	323,970		733,530		1,057,501
Impairment, net	27,968,266				27,968,266
Asset retirement expense	3,281,784				3,281,784
Exploration and evaluation					-
Transaction costs					-
Total expenses	58,193,895	28,520,802	4,826,825	(5,022,131)	86,519,391
Operating income (loss)	(28,501,491)	16,433,319	(4,826,825)	(2,164,576)	(19,059,573)
Gain (loss) on asset retirement obligation		4,815,928			4,815,928
Unrealized gain (loss) on financing warrants	1,000				1,000
Finance expense, net	(12,738,428)	(8,200)			(12,746,628)
Income (loss) before income taxes	(41,238,920)	21,241,046	(4,826,825)	(2,164,576)	(26,989,274)

Operating Segments	Petroleum and natural gas	Well Services	Corporate allocations (2015)	Intercompany eliminations	Consolidated
Current assets	$ 72,444,194	$ 14,335,353		$ (27,532,939)	$ 59,246,609
Decommissioning contracts receivable	15,688,958				15,688,958
Exploration and evaluation assets	242,172				242,172
Property and equipment	75,669,179	8,278,253	92,389	(159,398)	83,880,422
Note receivable			7,351,979	(3,117,267)	4,234,712
Asset retirement deposits	1,873,789				1,873,789
Total assets	175,383,747	22,613,606	7,444,367	(30,809,604)	174,632,117
Current liabilities	82,959,170	11,970,418		(18,136,962)	76,792,626
Total liabilities	179,046,330	21,970,418		(28,136,962)	172,879,786

Operating Segments	Petroleum and natural gas	Well Services	Corporate allocations (2014)	Intercompany eliminations	Consolidated
Revenue					
Petroleum and natural gas	$ 45,582,148	$ -	$ -	$ -	$ 45,582,148
Well services	-	36,594,828	-	(6,631,747)	29,963,081
Decommissioning contracts	-	8,210,857	-	1,917,386	10,128,243
Production handling	1,262,835	-	-	-	1,262,835
Revenue before the following	46,844,983	44,805,685	-	(4,714,361)	86,936,307
Realized gain (loss) on commodity contracts	270,742	-	-	-	270,742
Unrealized gain (loss) on commodity contracts	7,169,970	-	-	-	7,169,970
Total revenue	54,285,695	44,805,685	-	(4,714,361)	94,377,019
Expenses					
Lease operating	30,141,053	-	-	-	30,141,053
Cost of well services	-	24,405,993	-	(4,298,196)	20,107,797
General and administrative	5,133,942	5,774,122	4,755,399	-	15,663,463
Depreciation and depletion	5,916,494	3,857,587	78,141	-	9,852,222
Repairs and maintenance	-	1,684,658	-	-	1,684,658
Bad debt expense (recovery)	(2,539,473)	-	-	-	(2,539,473)
Stock-based compensation	508,910	-	796,323	-	1,305,233
Impairment, net	17,637,343	-	-	-	17,637,343
Asset retirement expense					-
Exploration and evaluation					-
Transaction costs	-	-	310,357	-	310,357
Total expenses	56,798,269	35,722,360	5,940,220	(4,298,196)	94,162,653
Operating income (loss)	(2,512,574)	9,083,325	(5,940,220)	(416,165)	214,366
Gain (loss) on asset retirement obligation	-	(1,581,132)	-	-	(1,581,132)
Unrealized gain (loss) on financing warrants	1,091,000	-	-	-	1,091,000
Finance expense, net	(11,824,631)	(330,969)	-	-	(12,155,600)
Income (loss) before income taxes	(13,246,205)	7,171,224	(5,940,220)	(416,165)	(12,431,366)

Operating Segments	Petroleum and natural gas	Well Services	Corporate allocations (2014)	Intercompany eliminations	Consolidated
Current assets	$ 67,740,008	$ 3,291,332	$ -	$ (12,131,340)	$ 58,900,000
Fair value of commodity contracts	531,234	-	-	-	531,234
Decommissioning contracts receivable	40,113,972	-	-	-	40,113,972
Exploration and evaluation assets	207,172	-	-	-	207,172
Property and equipment	95,263,312	11,372,508	147,771	-	106,783,591
Note receivable	-	-	7,221,979	(3,117,267)	4,104,712
Asset retirement deposits	1,654,645	-	-	-	1,654,645
Total assets	218,445,093	14,663,840	-	(15,248,607)	217,860,326
Current liabilities	67,929,832	3,404,446	-	(4,740,541)	66,593,737
Total liabilities	189,316,317	13,404,446	-	(4,740,541)	197,980,222

Non-IFRS Measures

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

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

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, 2015, 2014, and 2013. These results are the combination of the entity financial statements of Rooster, the entity financial statements of Cochon and the carved-out financial information of Well Services:

	For the years ended December 31,		
	2015	2014	2013
Financial			
Total revenue	$ 67,459,817	$ 94,377,019	$ 92,263,552
Operating income (loss)	(19,059,573)	214,366	2,627,700
Gain (loss) on a settlement of asset retirement obligations	4,815,928	(1,581,132)	(487,765)
Unrealized gain on financing warrants	1,000	1,091,000	(25,000)
Finance expenses	(12,746,628)	(12,155,600)	(6,860,724)
Deferred income tax (recovery)	(7,804,000)	(2,692,000)	(713,000)
Net income (loss)	(19,185,274)	(9,739,366)	(4,032,789)
Net income (loss) per share			
Basic	($0.06)	($0.03)	(0.01)
Diluted	($0.06)	($0.03)	(0.01)
Total assets	174,632,117	217,860,326	223,435,622
Total long-term financial liabilities	96,087,160	131,386,485	103,118,541
Cash dividends per share	-	-	-

Review of Fourth Quarter Ended December 31, 2015 (Q4 2015)

At December 31, 2015, the Company's interests in oil and natural gas leases consisted of ownership in 23 oil and gas leases or blocks, all of which are located in the state waters of Louisiana and the shallow waters of the Gulf of Mexico. In Q4 2015, the Company's net crude oil sales averaged 198 barrels oil per day (BOPD), net natural gas liquids (NGL) sales averaged 322 barrels of oil equivalent per day (BOEPD), and net natural gas sales averaged 10,248 thousand cubic feet per day (MCFPD) (or 1,708 BOEPD). In aggregate, total crude oil, NGL, and natural gas sales averaged 2,228 BOEPD in Q4 2015. The Company's operated properties comprised 95% of Q4 2015 sale volumes.

The Company produced 205,010 BOE in Q4 2015, compared to 236,674 BOE produced in Q4 2014, a 13% decrease. The decline in sales volumes, combined with significantly lower commodity prices, resulted in a 63% drop in oil and gas revenues in Q4 2015 to $3.4 million. However, the decline in commodity prices was partially mitigated by a $2.3 million gain on the Company's derivative contracts and a 32% drop in lease operating expenses. The Oil and Gas segment reported EBITDAX of $0.8 million in Q4 2015 compared to a $1.3 million in Q4 2014, representing a 35% drop from the prior year period.

Utilization at the Well Services segment averaged 30% in Q4 2015, compared to 42% in Q4 2014, a decline of 12%, as lower commodity prices continued to weigh on activity levels. As a result, Well Services revenues declined 20% in Q4 2015 to $5.7 million. However, lower revenues were offset by a 28% drop in operating expenses and a 54% drop in repair & maintenance expenses. Decommissioning revenues increased 124% to $10.5 million from the prior year period, as the Company initiated a five-platform removal program at the West Delta 44/45 field. Decommissioning margins were further enhanced with a gain of $1.0 million recorded on the settlement of asset retirement obligations. The Well Services segment reported EBITDAX of $11.9 million in Q4 2015 compared to $4.1 million in Q4 2014, representing a 192% increase from the prior year period. Note that that the $11.9 million of EBITDAX recorded in Q4 2015 includes approximately $11.0 million associated with the turnkey platform removal program, which benefited from a significant drop in service costs since the contract was signed in 2013.

In Q4 2015, the Company's consolidated EBITDAX totaled $11.4 million compared to $4.1 million in Q4 2014, representing a 176% increase from the prior year period. However, the Company recorded a net loss of $14.9 million in Q4 2015, which includes $31.3 million of non-cash impairment and asset retirement expenses resulting from the decline in commodity prices in 2015.

For the full year 2015, the Company grew proved & probable reserves by 30% to 16.8 MMBOE, production by 9% to 2,463 BOEPD, and consolidated EBITDAX by 36% to $24.1 million. Furthermore, the Company reduced lease operating expenses by 31% to $20.7 million, cost of well services by 35% to $13.0 million, and general and administrative expenses by 20% to $12.5 million. The Company's ability to grow reserves, production, and EBITDAX in a difficult operating environment reflects the benefits of the Company's differentiated "cradle to grave" hybrid business model.

Results of Operations

The following table summarizes net income (loss) for the three and twelve months ended December 31, 2015 and 2014:

	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Revenues				
Petroleum and natural gas	$ 3,380,814	$ 9,030,518	$ 20,194,751	$ 45,582,148
Well services	5,699,567	7,134,422	20,726,089	29,963,081
Decommissioning contracts	10,457,878	4,669,095	17,041,325	10,128,243
Production handling	59,663	118,747	206,876	1,262,835
Realized gain on commodity contracts	2,261,549	270,742	8,287,582	270,742
Unrealized gain on commodity contracts	1,547,950	7,169,970	1,003,195	7,169,970
Total revenue	23,407,421	28,393,494	67,459,817	94,377,019
Expenses				
Lease operating	4,542,968	6,686,267	20,732,602	30,141,053
Cost of well services	3,693,459	5,137,607	12,972,067	20,107,797
General and administrative	3,117,469	3,717,841	12,468,987	15,663,463
Depreciation and depletion	1,152,936	2,765,633	6,244,415	9,852,222
Repairs and maintenance	179,712	393,063	994,982	1,684,658
Bad debt expense	781,612	19,010	798,786	(2,539,473)
Stock-based compensation expense	(224,546)	142,810	1,057,501	1,305,233
Impairment, net	27,968,266	18,351,393	27,968,266	17,637,343
Asset retirement expense	3,281,784	-	3,281,784	-
Exploration and evaluation, net	-	-	-	-
Transaction costs	-	-	-	310,357
Total expenses	44,493,661	37,213,624	86,519,391	94,162,653
Operating income (loss)	(21,086,240)	(8,820,130)	(19,059,573)	214,366
Gain (loss) on a settlement of asset retirement obligations	1,029,255	(1,176,314)	4,815,928	(1,581,132)
Unrealized gain on financing warrants	-	696,000	1,000	1,091,000
Finance expenses [(a)]	(3,313,868)	(2,012,110)	(12,746,628)	(12,155,600)
Loss before income taxes	(23,370,853)	(11,312,554)	(26,989,274)	(12,431,366)
Deferred income tax (recovery)	(8,486,000)	(2,555,000)	(7,804,000)	(2,692,000)
Net income (loss)	$ (14,884,853)	$ (8,757,554)	$ (19,185,274)	$ (9,739,366)
Net income (Loss) per share				
Basic	(0.05)	(0.03)	(0.06)	(0.03)
Diluted	(0.05)	(0.03)	(0.06)	(0.03)
Weighted average shares outstanding				
Basic	324,099,502	324,099,502	324,099,502	324,099,502
Diluted	324,099,502	324,099,502	324,099,502	324,099,502
EBITDAX [(b)]				
Oil & Gas	$ 827,294	$ 1,280,525	$ 5,765,207	$ 11,840,730
Well Services	11,910,560	4,075,156	24,527,444	11,359,780
Corporate Allocation & Eliminations	(1,382,737)	(1,243,249)	(6,188,740)	(5,481,921)
Total EBITDAX	$ 11,355,118	$ 4,112,432	$ 24,103,911	$ 17,718,589
Capital expenditures	$ 2,873,569	$ 3,601,474	$ 14,882,581	$ 18,934,743

(a) Finance expenses include accretion for asset retirement obligations

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

EBITDAX [(a)] Calculation	Three months ended December 31, 2015	2014	Year ended December 31, 2015	2014
Net income (loss)	$ (14,884,853)	$ (8,757,554)	$ (19,185,274)	$ (9,739,366)
Unrealized (gain) loss on Commodity Contracts	(1,547,950)	(7,169,970)	(1,003,195)	(7,169,970)
Depreciation and depletion	1,152,936	2,765,633	6,244,415	9,852,222
Exploration and evaluation, net	-	-	-	-
Bad debt expense (recovery)	781,612	19,010	798,786	(2,539,473)
Stock-based compensation	(224,546)	142,810	1,057,501	1,305,233
Impairment, net	27,968,266	18,351,393	27,968,266	17,637,343
Asset retirement expense	3,281,784	-	3,281,784	-
Unrealized (gain) loss on financing warrants	-	(696,000)	(1,000)	(1,091,000)
Finance expenses	3,313,868	2,012,110	12,746,628	12,155,600
Deferred income tax recovery	(8,486,000)	(2,555,000)	(7,804,000)	(2,692,000)
EBITDAX	$ 11,355,118	$ 4,112,432	$ 24,103,911	$ 17,718,589

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

The following tables are an analysis of the line items in the Company's Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

Petroleum & Natural Gas Volumes	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Crude Oil (Bbls)	18,215	85,686	-79%	199,663	345,682	-42%
Natural Gas Liquids ("NGL") (BOE)	29,658	13,182	125%	72,505	39,054	86%
Natural Gas (mcf)	942,826	826,837	14%	4,221,151	3,086,571	37%
Total (BOE) [(a)]	205,010	236,674	-13%	975,693	899,165	9%
Average Crude Oil (BOPD)	198	931	-79%	547	947	-42%
Average NGL (BOEPD)	322	143	125%	199	107	86%
Average Natural Gas (MCFPD)	10,248	8,987	14%	11,565	8,456	37%
Average Total (BOEPD) [(a)]	2,228	2,573	-13%	2,673	2,463	9%

Lower crude sales in Q4 2015 and FY 2015 resulted from lower production at West Delta 44/45, which was shut in for abandonment and natural declines at Vermillion 376. Higher natural gas sales in Q4 2015 and FY 2015 resulted from higher production at Vermilion 67, partially offset by lower production at East Cameron 36, which was shut in earlier this year. Higher NGL sales in Q4 2015 and FY 2015 resulted from utilizing a different gas processing facility for Vermilion 67, which has resulted in a higher NGL yield.

Sales volumes in Q4 2015 were comprised of 9% crude oil, 14% NGLs, and 77% natural gas, while FY 2015 volumes were comprised of 20% crude oil, 7% NGLs, and 72% natural gas.

Petroleum & Natural Gas Sales, Average Benchmark and Realized Prices	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Crude Oil Sales	$ 1,047,808	$ 6,040,663	-83%	$ 9,336,803	$ 32,288,020	-71%
NGL Sales	395,027	223,601	77%	641,686	1,080,095	-41%
Natural Gas Sales	1,937,979	2,766,254	-30%	10,216,261	12,214,033	-16%
Total Petroleum & Natural Gas Revenues	$ 3,380,814	$ 9,030,518	-63%	$ 20,194,751	$ 45,582,148	-56%
Realized Crude Oil Prices ($/Bbl)	$57.53	$70.50	-18%	$46.76	$93.40	-50%
West TX Intermediate (Benchmark - $/Bbl)	$41.95	$73.16	-43%	$48.66	$93.17	-48%
Sales Price as a percent of Benchmark	137%	96%		96%	100%	
Realized NGL prices ($/Bbl)	$13.32	$16.96	-21%	$8.85	$27.66	-68%
EIA NGL Index (Benchmark - $/Bbl)	$4.63	$7.41	-38%	$4.97	$9.56	-48%
Sales Price as a percent of Benchmark	288%	229%		178%	289%	
Realized Natural Gas prices ($/mcf)	$2.06	$3.35	-39%	$2.42	$3.96	-39%
Henry Hub (Benchmark - $/mcf)	$2.12	$3.79	-44%	$2.62	$4.37	-40%
Sales Price as a percent of Benchmark	97%	88%		92%	91%	

The decline in crude oil revenues in Q4 2015 reflects an 18% drop in average realized price, combined with a 79% decrease in sales volumes. The decline in crude oil revenues in FY 2015 reflect a 50% drop in average realized price, combined with a 42% decrease in sales volumes. Most of the Company's crude oil pricing is derived from a combination of West Texas Intermediate ("WTI") crude prices and the Louisiana Light Sweet crude price spread relative to WTI prices. The drop in the average realized price was largely the result of lower benchmark crude prices, as WTI crude prices fell 43% and 48% in in Q4 2015 and FY 2015, respectively.

The increase in NGL revenues in Q4 2015 reflects a 125% increase in sales volumes, partially offset by a 21% drop in average realized price. The decline in NGL revenues in FY 2015 reflect a 68% drop in average realized price, partially offset by an 86% increase in sales volumes. The drop in NGL prices primarily reflects an overall decline in domestic NGL prices, as the Energy Information Administration's NGL composite index fell 38% and 48% in Q4 2015 and FY 2015, respectively.

The decline in natural gas revenues in Q4 2015 reflects a 39% drop in average realized price, partially offset by a 14% increase in sales volumes. The decline in natural gas revenues in FY 2015 reflect a 39% drop in average realized price, partially offset by a 37% increase in sales volumes. The decline in the average realized price primarily reflects lower domestic natural gas prices, as prices at the Henry Hub fell 44% and 40% in Q4 2015 and FY 2015, respectively.

The decline in oil and gas revenues in Q4 2015 reflects a 57% drop in average realized price, combined with a 13% decrease in sale volumes. The decline in oil and gas revenues in FY 2015 reflects a 59% drop in average realized price, partially offset by a 9% increase in sale volumes. Oil & gas revenues in Q4 2015 were comprised of 31% crude oil, 12% NGLs, and 57% natural gas, while FY 2015 oil & gas revenues were comprised of 46% crude oil, 3% NGLs, and 51% natural gas.

Production Handling Revenues	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Production Handling	$ 59,663	$ 118,747	-50%	$ 206,876	$ 1,262,835	-84%

The decline in production handling revenues in Q4 2015 and FY 2015 reflects lower third-party volumes being processed through the Company's platforms.

Well Services & Decommissioning Contracts Revenue	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Well Services	$5,699,567	$ 7,134,422	-20%	$ 20,726,089	$ 29,963,081	-31%
Decommissioning Contracts	$ 10,457,878	$ 4,669,095	124%	$ 17,041,325	$ 10,128,243	68%

The decline in Well Services revenues in Q4 2015 reflects a 12% drop in utilization, partially offset by a 12% increase in revenues per day. The decline in Well Services revenues in FY 2015 reflects an 11% drop in utilization, combined with an 11% drop in revenues per day. Utilization continued to be hampered by lower operator cash flows resulting from lower commodity prices.

The increase in decommissioning revenues in Q4 2015 relates to higher activity levels, as the Company successfully removed 4 platforms at West Delta 44/45 field in Q4 2015, with another in progress at year-end. The FY 2015 decommissioning program included plugging and abandoning 26 wells and removing 4 platforms, compared with 17 wells and 2 platforms in 2014. The remaining inventory of decommissioning work at year-end 2015 included 28 wells to be plugged and abandoned and the removal of 23 platforms.

Gain on Commodity Contracts	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Realized Gain on Commodity Contracts	$ 2,261,549	$ 270,742	735%	$ 8,287,582	$ 270,742	2961%
Unrealized Loss on Commodity Contracts	$ 1,547,950	$ 7,169,970	-78%	$ 1,003,195	$ 7,169,970	-86%

The Company was required by the initial terms of the senior secured credit facility to enter into certain commodity contracts in November, 2014. Additional commodity contracts were entered into in June, 2015. Declines in oil and natural gas prices resulted in realized gains on those commodity contracts that were settled in Q4 2015 and FY 2015. Furthermore, declines in forecasted oil and natural gas prices at December 31, 2015, resulted in unrealized gains on those commodity contracts that remain outstanding. See "Financial Instruments and Other Instruments" for additional details regarding the Company's commodity contracts.

Total Revenue	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Total Revenue	$ 23,407,421	$ 28,393,494	-18%	$ 67,459,817	$ 94,377,019	-29%

Lower revenues in Q4 2015 and FY 2015 were largely the result of lower oil and gas, well services and unrealized (non-cash) gains on derivative contracts, partially offset by higher decommissioning contracts revenues and realized gains on derivative commodity contracts.

Expenses	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Lease operating	$ 4,542,968	$ 6,686,267	-32%	$ 20,732,602	$ 30,141,053	-31%
Cost of well services	3,693,459	5,137,607	-28%	12,972,067	20,107,797	-35%
General and administrative	3,117,469	3,717,841	-16%	12,468,987	15,663,463	-20%
Depreciation and depletion	1,152,936	2,765,633	-58%	6,244,415	9,852,222	-37%
Repairs and maintenance	179,712	393,063	-54%	994,982	1,684,658	-41%
Bad debt expense (recovery)	781,612	19,010	4012%	798,786	(2,539,473)	-131%
Stock-based compensation expense (recovery)	(224,546)	142,810	-257%	1,057,501	1,305,233	-19%
Impairment, net	27,968,266	18,351,393	52%	27,968,266	17,637,343	59%
Asset retirement expense	3,281,784	0	-	3,281,784	0	-
Exploration and evaluation, net	0	0	-	0	0	-
Transaction costs	0	0	-	0	310,357	-100%
Total Expenses	$44,493,661	$37,213,624	20%	$86,519,391	$94,162,653	-8%

Lease operating expenses fell 32% in Q4 2015, and 31% in FY 2015, from year-ago levels. Lower lease operating costs were driven primarily by lower expenses at West Delta 44/45, which the Company shut in, in June 2015, for permanent abandonment. In addition, the Company has successfully reduced lease operating expenses at most of its leases owing to a combination of lower service costs and lower production rates. Lease operating expenses averaged $22 per BOE in Q4 2015 and $21 per BOE in FY 2015, which represents declines of 22% and 37% in per unit operating expenses, respectively.

Well services expenses fell 28% in Q4 2015, and 35% in FY 2015, from year-ago levels. Lower well service expenses were related to lower labor costs resulting from a combination of lower activity levels and cost-cutting efforts initiated in early-2015.

General and administrative expenses fell 16% in Q4 2015, and 20% in FY 2015, from year-ago levels. Lower general and administrative expenses are primarily attributable to the realization of cost synergies following our acquisition of Morrison Well Services, LLC, in November, 2014.

Depreciation and depletion expenses fell 58% in Q4 2015, and 37% in FY 2015, from year-ago levels. Lower depreciation and depletion expenses were driven primarily by a lower basis for the oil and gas properties due to the 2014 impairments and minimal reserve additions in 2015, and Well Services equipment being fully depreciated.

Repair and maintenance expenses fell 54% in Q4 2015, and 41% in FY 2015, from year-ago levels. Repair and maintenance expenses, which reflect non-capitalized costs associated with equipment in the Well Services segment, likewise reflect cost cutting efforts initiated earlier this year.

Bad debt expenses reflect the non-payment of expenses by joint operation partners on non-producing leases.

Stock-based compensation expenses relate to the amortization of costs associated with employee, officer and director stock options granted since 2012. The decrease in stock-based compensation expenses in 2015 resulted primarily from forfeitures.

Impairment expenses totaled nearly $28.0 million, of which $23.3 million related to the write-off of Vermilion 376. Impairment charges were largely the result of significantly lower commodity prices.

Asset retirement obligation ("ARO") expenses totaled $3.3 million, which reflect impairments related to revisions to ARO for which cash generating units (CGUs) were fully impaired in prior years.

Gain (Loss) on Settlement of Asset Retirement Obligations	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Gain (Loss) on Settlement of Asset Retirement Obligations	$ 1,029,255	$ (1,176,314)	187%	$ 4,815,928	$ (1,581,132)	405%

Gains on settlement of ARO resulted from actual abandonment costs coming in below estimates.

Unrealized Gain (Loss) on Financing Warrants	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Unrealized Gain (Loss) on Financing Warrants	$ -	$ 696,000	-100%	$ 1,000	$ 1,091,000	-100%

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

Finance Expenses, net	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Finance Expenses, net	$ 3,313,868	$ 2,012,110	65%	$ 12,746,628	$ 12,155,600	5%

Finance expenses primarily comprised: 1) interest and accretion of debt discounts associated with the Company's secured loans; and 2) accretion of the Company's liability for ARO, and 3) gain on debt modification.

Deferred income tax expense (recovery)	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Deferred income tax expense (recovery)	$ (8,486,000)	$ (2,555,000)	232%	$ (7,804,000)	$ (2,692,000)	190%

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 (Loss)	Three months ended December 31, 2015	2014	Change	Year ended December 31, 2015	2014	Change
Net Income (Loss)	$ (14,884,853)	$ (8,757,554)	-70%	$ (19,185,274)	$ (9,739,366)	-97%

The decrease in net income recorded in 2015 was primarily the result of higher impairment, due largely to significantly lower commodity prices.

Seasonality

In general, the Company's oil & gas production 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's production and profitability were minimally affected by adverse weather conditions in Q4 2015.

The Well Services business is subject to seasonal factors and trends. In particular, due to adverse weather and sea conditions in the Gulf of Mexico, we have historically seen the utilization of spreads decrease from November through March. Also, since all oil and gas operations in the Gulf of Mexico and coastal waters of Louisiana and Texas are exposed to hurricane and tropical storm risks in the late summer/early fall, the Well Services business could see one or more temporary interruptions of work should one of these weather events occur. In Q4 2015, the Well Services business was not affected by any tropical storm or hurricane.

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							
	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Financial								
Total revenue	$ 23,407,421	$18,953,043	10,625,832	14,473,520	28,393,494	23,883,429	25,392,627	16,707,469
Net income (loss)	$ (14,884,853)	$145,533	(3,527,701)	(918,254)	(8,757,554)	1,287,717	1,356,630	(3,626,159)
Net income (loss) per share								
Basic	(0.05)	0.00	(0.01)	0.00	(0.03)	0.00	0.00	(0.01)
Diluted	(0.05)	0.00	(0.01)	0.00	(0.03)	0.00	0.00	(0.01)
Oil & Gas Operations								
Sale volumes								
Crude oil (Bbls)	18,215	43,334	75,873	62,242	85,686	82,641	102,218	75,137
NGLs (Bbls)	29,658	17,682	11,498	13,667	13,182	10,595	8,173	7,104
Natural gas (Mcf)	942,826	864,596	1,180,441	1,233,287	826,837	1,075,481	693,917	490,336
Total (BOE) [(1)]	205,010	205,115	284,111	281,457	236,674	272,483	226,043	163,964
Daily (BOE per day) [(1)]	2,228	2,230	3,122	3,127	2,573	2,962	2,484	1,822
Realized prices								
Crude oil (per Bbl)	$ 57.53	$ 43.00	$ 49.00	$ 43.51	$ 70.50	$ 98.72	$ 103.23	$ 100.32
NGLs (per BOE)	13.32	7.05	7.93	2.26	16.96	27.84	37.43	35.98
Natural gas (per Mcf)	2.06	2.62	2.41	2.57	3.35	3.64	4.25	5.26
Total (per BOE)	$ 16.49	$ 20.74	$ 23.41	$ 21.00	$ 38.16	$ 45.41	$ 61.08	$ 63.26
Revenue								
Crude oil	$ 1,047,808	$ 1,863,322	$ 3,717,726	$ 2,707,947	$ 6,040,663	$ 8,158,200	$ 10,551,457	$ 7,537,699
NGLs	395,027	124,690	91,140	30,828	223,601	295,009	305,882	255,603
Natural gas	1,937,979	2,265,621	2,841,284	3,171,378	2,766,254	3,919,860	2,948,794	2,579,125
Production handling	59,663	59,402	45,755	42,056	118,747	163,881	434,515	545,692
Realized gain on commodity contracts	2,261,549	1,912,583	1,751,890	2,361,560	270,742	0	0	0
Unrealized gain on commodity contracts	1,547,950	4,292,899	(4,139,789)	(697,865)	7,169,970	0	0	0
Total	$ 7,249,976	$ 10,518,517	$ 4,308,006	$ 7,615,904	$ 16,589,977	$ 12,536,950	$ 14,240,649	$ 10,918,119
Expenses								
Lease operating expenses	$ 4,542,968	$ 4,593,980	$ 5,384,030	$ 6,211,624	$ 6,686,265	$ 8,229,623	$ 7,314,255	$ 7,910,908
Lease operating expenses per BOE [(1)]	$ 22.16	$ 22.40	$ 18.95	$ 22.07	$ 28.25	$ 30.20	$ 32.36	$ 48.25
Well Services Operations								
Average spreads	16.0	16.0	16.0	16.0	16.0	16.0	15.0	15.0
Days worked	437	716	383	383	611	815	653	398
Average utilization	30%	49%	26%	27%	42%	55%	48%	29%
Revenue								
Well services	$ 5,699,567	$ 7,714,705	$ 3,640,590	$ 3,671,227	$ 7,134,422	$ 9,728,895	$ 8,319,470	$ 4,780,294
Decommissioning contract revenue	10,457,878	719,821	2,677,236	3,186,389	4,669,095	1,617,584	2,832,508	1,009,056
Total	$ 16,157,445	$ 8,434,526	$ 6,317,826	$ 6,857,616	$ 11,803,517	$ 11,346,479	$ 11,151,978	$ 5,789,350
Expenses								
Cost of well services	$ 3,693,459	$ 4,036,739	$ 2,295,030	$ 2,946,839	$ 5,137,607	$ 6,081,906	$ 5,040,106	$ 3,848,178
Repairs and maintenance	179,712	287,241	352,813	175,216	393,063	469,537	368,324	453,734
Total	$ 3,873,171	$ 4,323,980	$ 2,647,843	$ 3,122,055	$ 5,530,670	$ 6,551,443	$ 5,408,430	$ 4,301,912
Gain (loss) on asset retirement obligation	$ 1,029,255	$ 427,574	$ 2,308,657	$ 1,050,442	$ (1,176,314)	$ (404,818)	$ 209,382	$ (209,382)

Liquidity

On November 17, 2014, the Company entered a note purchase agreement ("NPA") pursuant to which the Company issued senior secured notes in the amount of $45.0 million due on February 14, 2016, as amended. The proceeds of the senior secured notes were used to: 1) repay existing senior debt; 2) fund the $10 million cash portion of the purchase price for Well Services; and 3) payment towards trade accounts payable over sixty days and provide for other general corporate purposes.

On June 25, 2015, the Company expanded and extended the term of the NPA by entering into an amendment and restatement of the NPA and issuing new notes in the amount of $60 million that are due on June 25, 2018 (the "Senior Secured Notes"). A portion of the proceeds were used to repay existing senior secured debt in the principal amount of $45 million. As part of the amended and restated NPA, the Company granted the note holders certain overriding royalty interests in all of the Company's oil & gas leases which were valued by the Company at approximately $2.4 million.

On April 26, 2012, the Company entered into secured credit facilities (the "Subordinated Note #1") with The K2 Principal Fund, L.P. for the principal sum of $6,463,000; effective November 17, 2014, the interest rate was set at 15.5%.

On October 11, 2013, the Company entered into another secured credit facility (the "Subordinated Note #2") with The K2 Principal Fund, L.P., and Chester F. Morrison, Jr. (a significant shareholder) that provided for borrowing up to CAD $8.0 million. The interest rate is 9% per annum on all advances, and the only advance under the credit facility was CAD $4.0 million.

On March 7, 2014, the Company entered into an additional secured credit facility with Chester F. Morrison, Jr. (the "Subordinated Note #3") which provides for borrowing up to $10 million. The interest rate is 14% per annum on all advances. The initial advance in March, 2014, was $4.4 million; in May, 2014, the Company drew an additional $2.8 million.

In connection with the Senior Secured Notes, the holder, the Company and each of the parties to the Subordinated Note #1, Subordinated Note #2 and Subordinated Note #3 (see the Company's December 31, 2015 financial statement notes 10(ii), (iii) and (iv)) entered into intercreditor and subordination agreements that prohibit any payments on the subordinated indebtedness until the Senior Secured Notes are fully satisfied. Additionally, the Subordinated Note #1, Subordinated Note #2 and Subordinated Note #3 were amended to extend the maturity date of each of those loans to no earlier than one year following the maturity date of the Senior Secured Notes.

As a result of the extension of maturity dates on the Subordinated Note #1, Subordinated Note #2 and Subordinated Note #3 until after satisfaction of obligations of the Company owed on the Senior Secured Notes, the maturity dates for all secured indebtedness is extended to June 25, 2019.

At December 31, 2015, the Company had a working capital deficit of $17,546,018. This working capital deficiency includes the following:

- The *decommissioning contracts receivable* booked in current assets totals $28.5 million. However, under IFRS the decommissioning contacts receivable has been recorded to match the ARO liability. The Company expects to invoice $36.3 million related to its decommissioning contracts within the next twelve months. As a result, the Company includes the incremental $8.3 million as part of its internal analysis of working capital.

- The *deferred revenues* booked in current liabilities total $4.0 million, which is expected to be recognized as revenues within the next twelve months rather than repaid with cash. As a result, the Company adds back the $4.0 million as part of its internal analysis of working capital.

The Company's internal analysis of working capital at December 31, 2015 is improved by $12.3 million to a deficit of $5.3 million. However, there can be no assurance that the costs associated with the decommissioning contracts will be at or below the revenues that still remain to be invoiced.

Asset Retirement Obligations

In addition to the amounts owed at December 31, 2015, the Company has an ongoing liability with respect to the plugging and abandonment of wells and decommissioning of platforms/facilities totaling $58,627,501 on a discounted basis. However, $42.2 million of this liability is covered by turnkey decommissioning contracts with a third party, and $2.0 million requires reimbursement by prior owners of certain leases. The timing and amount of settling such ARO are based on management's best estimate at this time. In the event of unforeseen developments, the Company may be required to incur ARO costs sooner than otherwise anticipated and in amounts exceeding the ARO recorded on the balance sheet.

Contractual Obligations

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

	Current Balance	Payments Due By Period Total	Less Than 1 Yr	1 - 2 Years	2 - 5 Years
Senior Secured Notes (1)	$ 56,512,783	$ 60,000,000	$ 15,000,000	$ 20,000,000	$ 25,000,000
Subordinated Note #1 (2)	5,355,969	6,463,000	-	-	6,463,000
Subordinated Note #2 (3)	1,930,499	2,890,000	-	-	2,890,000
Subordinated Note #3 (4)	5,631,781	7,150,000	-	-	7,150,000
Promissory Notes (5)	2,204,707	2,204,707	2,204,707	-	-
	$ 71,635,738	$ 78,707,707	$ 17,204,707	$ 20,000,000	$ 41,503,000

(1) $60,000,000 Payable in quarterly minimum installments of $5 million beginning April 15, 2016 with a final installment of $15 million on June 25, 2018, with interest payable monthly at LIBOR + 11.5% per annum. Refer to subsequent events for discussion of the waiver of principal payments pursuant to the First Amendment.
(2) $6,463,000 Payable on June 25, 2019 with interest at 15.5% per annum payable at maturity
(3) Cdn$4,000,000 Payable on June 25, 2019 with interest at 9% per annum payable at maturity
(4) $7,150,000 Payable on June 25, 2019 with interest at 14% per annum payable at maturity
(5) Payable in monthly installments of $456,519, including interest at 3.25% per annum, through May 25, 2016.

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, 2015 through June 30, 2016, the base rental rate is $17,328 per month.

Capital Expenditures

Capital expenditures totaled $2,873,569 in Q4 2015 and $14,882,581 in FY 2015. Capital expenditures primarily reflect drilling & completion costs associated with the High Island A494 #B-4 sidetrack.

Off-Balance Sheet Arrangements

At December 31, 2015 the Company is not party to, and not currently party to, any off-balance sheet arrangements.

Financial Instruments and Other Instruments

As a condition for closing the NPA and issuing the Senior Secured Notes, the Company was required to sell forward certain quantities of its oil and natural gas production over the term of the Senior Secured Notes. The following is a summary of all derivative commodity contracts that were in place as at December 31, 2015:

Reference Point	Volume	Term	Price
Crude Oil Contracts:			
Louisiana Light Sweet	500 bbl/d	Jan 1 2016 - Feb 29, 2016	$77.50 / bbl
Louisiana Light Sweet	315 bbl/d	Mar 1, 2016 - Dec 31, 2016	$63.98 / bbl
Louisiana Light Sweet	260 bbl/d	Jan 1 2017 - Dec 31, 2017	$65.62 / bbl
Louisiana Light Sweet	232 bbl/d	Jan 1 2018 - Jun 30, 2018	$66.90 / bbl
Natural Gas Contracts:			
NYMEX Henry Hub	6,103 MMBtu/d	Jan 1 2016 - Feb 29, 2016	$3.81 / MMBtu
NYMEX Henry Hub	1,248 MMBtu/d	Jan 1 2016 - Feb 29, 2016	$2.86 / MMBtu
NYMEX Henry Hub	6,680 MMBtu/d	Mar 1, 2016 - Dec 31, 2016	$3.03 / MMBtu
NYMEX Henry Hub	5,817 MMBtu/d	Jan 1 2017 - Dec 31, 2017	$3.21 / MMBtu
NYMEX Henry Hub	5,300 MMBtu/d	Jan 1 2018 - Jun 30, 2018	$3.31 / MMBtu

During Q2 2015, the Company fixed the price on a portion of its crude oil derivative contracts, effectively locking in a gain of approximately $124,000 that will be realized over the period of two months from January through February, 2016.

Transactions with Related Parties

As at December 31, 2015, the Company had the following transactions and balances with related parties:

- At December 31, 2015, the Company had accounts payable in the amount of $11,821,046 (of which $8,219,405 is current) primarily due and owing to Chet Morrison Contractors, LLC, which is indirectly owned and controlled by Chester F. Morrison, Jr., who is a director and significant shareholder of the Company.

- In October, 2013, the Company entered into a subordinated secured credit facility (“Subordinated Note #2”) which provides for borrowing up to CAD $8.0 million, with an initial advance of CAD $4.0 million (see “Liquidity”). Chester F. Morrison, Jr., who funded 40% of the credit facility, is a director and significant shareholder of the Company. As at December 31, 2015, accrued interest related to the 40% of the credit facility funded by Chester F. Morrison, Jr. totaled $232,524 and the liability due to Chester F. Morrison Jr. on the financial statements was $772,200.

- In March 2014, the Company entered into a secured credit facility (“Subordinated Note #3”) with Chester F. Morrison, Jr., who is a related party, which provides for borrowing up to $10 million, with an initial advance of $4.4 million (see “Liquidity”). In May, 2014, the Company drew an additional $2.8 million from the credit facility. At December 31, 2015, accrued interest related to the credit facility totaled $1,726,066 and the liability on the financial statements was $5,631,781. Mr. Morrison is a director and significant shareholder 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), proportionate voting shares, and an unlimited number of preferred shares issuable in series with no par value. During the year 2015, 4,082 proportionate voting shares were converted to 4,082,000 common shares. As at December 31, 2015, there were 60,989 proportionate voting shares (each convertible to 1,000 common shares) and 263,110,502 common shares issued and outstanding, or the issued share capital on a fully diluted basis is the equivalent of 324,099,502 common shares. No preferred shares are issued or outstanding.

During the twelve months ended December 31, 2015, the Company granted 10,545,963 stock options, had no options exercised and 1,500,177 options were forfeited by directors and employees no longer with the Company. The following table outlines the exercise price and years to expiry of all outstanding options, as well as the number of options exercisable as of December 31, 2015:

Grant Date	Number Outstanding	Remaining Contractual Life	Exercise Price	Expiry Date	Number Exercisable
Jun. 05, 2012	3,785,468	6.50 years	CAD $0.50	Jun. 05, 2022	3,785,468
Sep. 11, 2013	3,907,759	7.75 years	CAD $0.82	Sep. 11, 2023	2,621,839
May 16, 2014	300,000	8.50 years	CAD $0.61	May. 16, 2024	100,000
Mar. 02, 2015	-	9.25 years	CAD $0.07	Mar. 02, 2025	-
May 06, 2015	10,245,963	9.25 years	CAD $0.14	May. 06, 2025	10,245,963
	18,239,190				16,753,270

On October 28, 2015, the shareholders of the Company passed a special resolution approving, ratifying and confirming amendment of the stock option plan providing that the maximum number of common shares under the option plan cannot exceed twenty percent (20%) of the common shares on a fully diluted basis or 64,819,900. At December 31, 2015, the maximum number of common shares reserved for issuance under the Company's stock option plan was 64,819,900 shares with 46,580,710 shares remaining available for issue under the terms of the stock option plan.

In association with the prior notes purchase agreement that the Company entered into in October 2012, 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 USD $1.00 per common share. The terms of the warrants were adjusted primarily to reflect the new shares issued as consideration for the acquisitions of Cochon and Well Services.

As at December 31, 2015, the Company had 13,429,813 warrants outstanding exercisable at USD$0.67 per share until October 22, 2017. During the year ended December 31, 2015, no warrants were issued or exercised.

Other than those issued under the warrant purchase agreement or the Rooster Energy Ltd. 2014 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 December 31, 2015.

Legal Proceedings

We regularly analyze current information and, as necessary, provide accruals for probable liabilities on the eventual disposition of these matters. In the opinion of management, at December 31, 2015 there were no lawsuits threatened or pending legal matters that could have a material impact on our consolidated results of operations, financial position or cash flows.

Subsequent Events

First Amendment and Waiver to the A&R NPA

On March 14, 2016, the Company entered into the First Amendment and Waiver to the A&R NPA (the "First Amendment"), effective December 31, 2015. Pursuant to the First Amendment, all of the financial and performance covenants of the NPA and scheduled loan amortization are waived for the fiscal quarters ending March 31, 2016 and June 30, 2016. In exchange for the waiver, the Company paid a waiver fee in the amount of $493,333 on March 14, 2016. The Senior Secured Notes bear interest at a rate equal to Libor + 11.5% per annum with interest payments due monthly; the minimum interest rate will be 13.0% per annum. Additionally, from and after March 14, 2016 until June 30, 2016, an 8.0% interest shall be paid in kind ("PIK Interest"). All PIK Interest will be capitalized and compounded by increasing the outstanding principal amount of the Senior Secured Notes. Principal payments will start on the 10^{th} business day following the end of each calendar month occurring on or after July 31, 2016. The principal payments will be based upon excess cash generated after lender-approved operating and capital expenditures.

On March 16, 2016, the Company fixed the price on derivative commodity contracts with settlement dates in April, May, and June 2016, and terminated all derivative commodity contracts with settlement dates on or after July 1, 2016. The Company then applied $4.0 million of the proceeds to reduce the principal balance of the Senior Secured Notes.

If the Company is unable to restructure the financial and performance covenants of the NPA or extend the term of the waiver on or before the end of the fiscal quarter ending June 30, 2016, then the Company will be in default of one or more of the covenants; in that event the holders of the Senior Secured Notes may exercise their remedies against the Company. No assurances can be given that the Company will be able to reach agreement with the holders of the Senior Secured Notes on the consequences of any possible default at that time, and in that event the Company may not be able to continue as a going concern.

Bonding

The Company currently has an aggregate of approximately $47 million posted in surety bonds in favor of BOEM and third parties (predecessors in lease title) to secure the performance of lease obligations including satisfaction of ARO. BOEM recently ordered the Company to post additional supplemental bonds of approximately $5 million covering certain specific leases. The Company is of the opinion that the leases at issue are sufficiently bonded. The Company has been in negotiations with BOEM in an attempt to reduce the amounts and/or waive the requirement, however we have been unsuccessful to date and there can be no assurance that we will be able to secure additional bonds. In that event, BOEM may take additional actions against the Company that could negatively impact oil and gas operations and the ability of the Company to continue as a going concern.

Forward Looking Information and Statements

This MD&A may contain forward looking information related to planned drilling, workovers, 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 of profit or loss to be derived or recognized from any contracts, the amounts recorded for depletion, depreciation and accretion, the provision for ARO 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 and Uncertainties

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

At this time, the most significant risk relates to the uncertainty of the Company's ability to restructure the terms of the NPA or pay the full amounts owing on the Senior Secured Notes, 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 oil and gas projects and will almost certainly indirectly affect the revenues of the Well Services business.

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 the Company is also exposed to risks relating to the inability to obtain timely regulatory approvals or meet other regulatory demands, including demands to provide supplemental financial assurances to the Bureau of Ocean Energy Management for liabilities associated with leases, obtain surface access to wells and to access to third party gathering and processing facilities, transportation and other third party related operational risks over with the Company has no control.

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 to some extent the Canadian/US dollar exchange rate.

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

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking

information. These factors are not intended to represent a complete list of factors that could affect the Company.

Management's Report on Internal Control Over Financial Reporting

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

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

Date

This MD&A is dated April 29, 2016.

Additional Information

Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.roosterenergyltd.com