ROOSTER ENERGY LTD.

Condensed Interim Consolidated Financial Statements (Amended)

Three and Nine Months Ended September 30, 2013 and 2012

(unaudited)

Contents

Rooster Energy Ltd.
Condensed Interim Consolidated Balance Sheets (Amended)
(amounts in US dollars)
(unaudited)

	Notes	September 30, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents	11(b)	$ -	$ 7,367,848
Restricted cash	3(b)	4,308,940	-
Accounts receivable	3(b)	5,844,003	8,262,786
Prepaid expenses and deposits		3,213,358	986,900
Assets held for sale		-	352,782
Total current assets		13,366,301	16,970,316
Property and equipment	4	91,618,560	72,135,945
Asset retirement deposits	6	650,000	3,762,000
Deferred income taxes	15(b)	4,422,000	3,709,000
Total assets		$ 110,056,861	$ 96,577,261
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities	3(c)	$ 18,372,275	$ 9,630,700
Liabilities associated with assets held for sale		-	193,527
Due to related parties	13	3,770,899	4,736,472
Asset retirement obligations	6	2,128,555	-
Total current liabilities		24,271,729	14,560,699
Long-term liabilities			
Loans payable	5	27,060,796	25,933,426
Financing warrants	5	1,610,000	1,067,000
Accrued interest payable	5	1,087,406	262,735
Deferred income taxes	15(b)	10,786,000	8,997,000
Asset retirement obligations	6	15,600,091	18,071,240
Total liabilities		80,416,022	68,892,100
Shareholders' equity			
Share capital	7	40,911,182	40,909,139
Contributed surplus	8	1,100,637	507,298
Deficit		(12,370,980)	(13,731,276)
Total shareholders' equity		29,640,839	27,685,161
Total liabilities and equity		$ 110,056,861	$ 96,577,261

Commitments (note 12)
Contingencies (note 14)
Subsequent events (note 16)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved by the Board:
(signed)"Paul Crilly "
(signed)"Richard S. Buski "

Rooster Energy Ltd.
Condensed Interim Consolidated Statements of Income and Comprehensive Income (Amended)
(amounts in US dollars)
(unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Notes	2013	2012	2013	2012
Revenue					
Petroleum and natural gas revenue		$ 10,630,237	$ 12,997,594	$ 32,920,020	$ 22,159,397
Expenses					
Lease operating		2,791,161	3,381,855	9,415,848	8,412,238
Depreciation and depletion	4	2,142,053	2,579,192	6,806,797	5,162,590
Exploration and evaluation, net	4	3,205	-	2,162,364	(303,543)
Plug and abandonment	6	-	-	-	2,362,072
General and administrative		1,243,870	1,009,100	3,737,816	2,174,207
Transaction costs		-	-	-	779,306
Bad debt	3(b)	125,584	-	2,796,446	-
Impairment expense	6	-	343,786	-	343,786
Stock-based compensation	8	200,085	190,755	595,382	289,885
Total expenses		6,505,958	7,504,688	25,514,653	19,220,541
Operating income		4,124,279	5,492,906	7,405,367	2,938,856
Unrealized gain (loss) on financing warrants	5	921,000	-	(543,000)	-
Finance expenses	9	(1,861,305)	(472,027)	(4,426,071)	(833,687)
Income before income taxes		3,183,974	5,020,879	2,436,296	2,105,169
Deferred income tax expense	15(a)	1,161,000	-	1,076,000	-
Income and comprehensive income		$ 2,022,974	$ 5,020,879	$ 1,360,296	$ 2,105,169
Income per share	10				
Basic		$ 0.02	$ 0.05	$ 0.01	$ 0.02
Diluted		$ 0.02	$ 0.05	$ 0.01	$ 0.02

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Rooster Energy Ltd.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Amended)
(amounts in US dollars)
(unaudited)

	Notes	Number of Common Shares [1]	Common Share Capital Stated Value	Number of Proportionate Voting Shares	Proportionate Voting Shares Stated Value	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2011		1,000	$ 12,250,000	-	$ -	$ -	$ (10,043,607)	$ 2,206,393
Reverse acquisition transactions	7	40,393,823	(503,413)	65,071	29,162,552	-	-	28,659,139
Stock-based compensation	8	-	-	-	-	289,885	-	289,885
Income for the period		-	-	-	-	-	2,105,169	2,105,169
Balance, September 30, 2012		40,394,823	11,746,587	65,071	29,162,552	289,885	(7,938,438)	33,260,586
Stock-based compensation	8	-	-	-	-	217,413	-	217,413
Loss for the period		-	-	-	-	-	(5,792,838)	(5,792,838)
Balance, December 31, 2012		40,394,823	11,746,587	65,071	29,162,552	507,298	(13,731,276)	27,685,161
Issued on cashless exercise of stock options	8	2,500	2,043	-	-	(2,043)	-	-
Stock-based compensation	8	-	-	-	-	595,382	-	595,382
Income for the period		-	-	-	-	-	1,360,296	1,360,296
Balance, September 30, 2013		40,397,323	$ 11,748,630	65,071	$ 29,162,552	$ 1,100,637	$ (12,370,980)	$ 29,640,839

[1] The authorized and issued share capital of the Company consists of 40,397,323 common shares and 65,071 Proportionate Voting Shares (1,000 to 1 conversion rights) for issued share capital on a fully diluted basis equivalent to 105,465,898 common shares.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Rooster Energy Ltd.

Condensed Interim Consolidated Statements of Cash Flows (Amended)

(amounts in US dollars)
(unaudited)

	Notes	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Cash and cash equivalents provided by (used in):					
Cash flows from operating activities					
Net Income		$ 2,022,974	$ 5,020,879	$ 1,360,296	$ 2,105,169
Adjustments for:					
Depreciation and depletion	4	2,142,053	2,579,192	6,806,797	5,162,590
Dry hole costs included in exploration and evaluation expense	4	3,205	-	2,162,364	-
Impairment expense	4	-	343,786	-	343,786
Stock-based compensation	8	200,085	190,755	595,382	289,885
Unrealized loss on financing warrants	5	(921,000)	-	543,000	-
Accretion of note payable discount	9	390,906	-	1,127,370	-
Asset retirement obligation accretion	6	142,185	79,041	426,556	237,122
Deferred income tax expense	15	1,161,000	-	1,076,000	-
Funds generated from operations		5,141,408	8,213,653	14,097,765	8,138,552
Cash abandonment costs	6	(45,170)	(412,789)	(769,150)	(2,546,695)
Changes in non-cash working capital	11(a)	2,501,417	(13,715,298)	3,935,255	(7,427,466)
Net cash provided by (used in) operating activities		7,597,655	(5,914,434)	17,263,870	(1,835,609)
Cash flows from investing activities					
Capital expenditures for petroleum and natural gas properties	4	(16,368,560)	(676,877)	(26,266,088)	(26,729,288)
Capital expenditures for office furnishings and improvements	4	(821)	487	(23,324)	(13,107)
Expenditures related to dry holes	4	(3,205)	-	(2,162,364)	-
Increase in other assets and loan origination fees		-	(288,944)	-	(384,460)
Cash acquired on business combination		-	-	-	415,899
Increase in restricted cash		(1,196,940)	-	(1,196,940)	-
Proceeds relating to assets and liabilities held for sale		-	-	159,255	-
Changes in non-cash working capital	11(a)	4,366,358	601,081	4,033,073	1,451,321
Net cash used in investing activities		(13,203,168)	(364,253)	(25,456,388)	(25,259,635)
Cash flows from financing activities					
Proceeds from issuance of share capital, net of share issuance costs	7	-	-	-	20,122,951
Proceeds from notes payable	5	-	8,000,000	-	8,000,000
Repayment of notes payable	5	-	-	-	(415,797)
Change in accrued interest payable	5	639,704	-	824,671	-
Changes in non-cash working capital	11(a)	-	-	-	-
Net cash provided by financing activities		639,704	8,000,000	824,671	27,707,154
Net (decrease) increase in cash and cash equivalents		(4,965,809)	1,721,313	(7,367,847)	611,910
Cash and cash equivalents, beginning of period		4,965,809	326,524	7,367,848	1,435,927
Cash and cash equivalents, end of period	11(b)	$ -	$ 2,047,837	$ 1	$ 2,047,837

Supplemental cash flow information (note 11).
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. General business description

Rooster Energy Ltd. (the "Company") is an independent company engaged in the acquisition, development and exploration of petroleum and natural gas. The Company's principal areas of operation are in the US Gulf of Mexico. The Company is incorporated in Canada under the British Columbia Corporations Act and is traded on the TSX Venture Exchange under the symbol "COQ".

On April 30, 2012, the Company (formerly Probe Resources Ltd. ("Probe")) completed a series of transactions under which it acquired all of the membership interest of Rooster Energy, L.L.C., a privately held Louisiana limited liability company ("Rooster"). The acquisition of Rooster was accounted for as a reverse acquisition of the Company by Rooster, with Rooster being the continuing entity for accounting purposes, as the acquisition resulted in the issuance of voting shares such that control of the Company passed to Rooster Resources, LLC, the sole member of Rooster. In conjunction with the transactions, the combined entity was continued under the name Rooster Energy Ltd.

The address and principal place of business of the Company is 16285 Park Ten Place, Suite 120, Houston, Texas, USA, 77804.

2. Basis of preparation

These amended condensed interim consolidated financial statements contain updated subsequent events disclosures from the condensed interim consolidated financial statements previously filed by the Company on SEDAR, and have been approved and authorized for issuance by the Board of Directors on March 31, 2014.

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been omitted or condensed.

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods as those used in the annual financial statements, except as follows, and should be read in conjunction with the Company's annual audited consolidated financial statements for the year end December 31, 2012.

(b) Accounting policies

<u>Consolidation</u>

The Company adopted IFRS 10 *Consolidated Financial Statements* effective January 1, 2013. *IFRS 10* requires consolidation of an investee only if the investor possesses power over the investee, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The Company re-assessed its control conclusions and determined that there were no changes in the consolidation status of any of its subsidiaries.

Joint Arrangements

The Company adopted IFRS 11 *Joint Arrangements* effective January 1, 2013. *IFRS 11* establishes a principle-based approach to the accounting for joint arrangements by focusing on the rights and obligations of the arrangement and limits the application of proportionate consolidation to arrangements where sufficient rights and obligations are passed to the participants. The Company re-assessed its classification of its joint arrangements and determined that there were no changes in the accounting policies applied to its joint arrangements.

Fair Value Measurement

The Company adopted IFRS 13 *Fair Value Measurement* effective January 1, 2013. *IFRS 13* improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Adoption of this standard had no significant impact on the Company's financial statements other than the inclusion of fair value information disclosures for financial instruments in its condensed interim consolidated financial statements as set out in Note 3(a).

Disclosure

The Company adopted IFRS 12 *Disclosure of Interest in Other Entities* effective January 1, 2013. *IFRS 12* sets out the annual disclosure requirements for the Company's interests in subsidiaries, joint arrangements and associates. The adoption of *IFRS 12* had no impact on the amounts recognized in the Company's condensed interim consolidated financial statements or note disclosures for the three or nine months ended September 30, 2013.

The Company adopted amendments to IFRS 7 *Financial Instruments: Disclosures* effective January 1, 2013. *IFRS 7* has been amended to require annual disclosure of information on rights to offset financial instruments and related arrangements. These amendments are not expected to impact the Company's annual disclosures.

(c) Basis of measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities, which are measured at fair value.

(d) Functional and presentation currency

These condensed interim consolidated financial statements are presented in US dollars, except as otherwise noted, which is the functional currency of the Company and its subsidiaries.

(e) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Rooster Energy, L.L.C., Rooster Petroleum, LLC, Rooster Oil & Gas, LLC and Probe Resources US Ltd., included from the date of acquisition on April 30, 2012.

(amounts in US dollars)

3. Financial instruments and risk management

(a) Fair value of financial instruments

The fair values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, and due to related parties, approximate their carrying values due to the short-term maturity of those instruments. The Company's long-term loans payable bear interest at a rate approximating interest for equivalent debt instruments and, accordingly, approximate fair value.

The valuation of the Company's financial instruments which are measured at fair value on a recurring basis using a fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
September 30, 2013				
Assets				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Restricted cash (note 3b)	$ 4,308,940	$ 4,308,940	$ -	$ -
Liabilities				
Financing warrants (note 5)	$ 1,610,000	$ -	$ 1,610,000	$ -
December 31, 2012				
Assets				
Cash and cash equivalents	$ 7,367,848	$ 7,367,848	$ -	$ -
Liabilities				
Financing warrants (note 5)	$ 1,067,000	$ -	$ 1,067,000	$ -

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at September 30, 2013 and December 31, 2012, is as follows:

	September 30, 2013	December 31, 2012
Cash and cash equivalents	$ -	$ 7,367,848
Accounts receivable	5,844,003	8,262,786
	$ 5,844,003	$ 15,630,634

Cash and cash equivalents

Cash and cash equivalents may include cash bank balances and short-term deposits. The Company manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors short-term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Restricted cash

As of September 30, 2013 the company has $4,308,940 in restricted cash comprising $3,112,000 representing the cash collateral for performance bonds for specific well and facility abandonments that must be completed within the next 12 months (note 6). In addition, restricted cash includes $1,196,940 of disputed revenue proceeds held in escrow related to Vermilion Area Block 376 #A-3 and A-4 wells (note 14), with the offsetting amount included in accounts payable and accrued liabilities. All funds are held in financial institutions with high credit ratings and as such, management does not expect any credit risk exposure.

Accounts receivable

As of September 30, 2013, the majority of accounts receivable relates to petroleum and natural gas production and joint operation partners and are subject to normal credit risk. Management has evaluated receivables for collectability and, as such, has recorded an allowance for doubtful accounts totalling $3,098,783 (December 31, 2012 - $302,337). Bad debt expense for the nine month period ended September 30, 2013 and 2012 totalled $2,796,446 and $-0-, respectively (see also note 14).

During the three month period ended September 30, 2013, the Company sold a substantial portion of its product to two customers. Sales to those customers aggregated approximately $9.1 million (September 30, 2012 - $11.6 million) or approximately 86% (September 30, 2012 - 89%) of total revenue. At September 30, 2013, amounts due from those customers included in accounts receivable totalled approximately $2.9 million (December 31, 2012 - $2.6 million). The Company historically has not experienced any collection issues related to receivables from these customers. The credit rating of the customers of the Company's petroleum and natural gas production is closely monitored by the Company's management to ensure no collection issues arise.

When determining whether past due accounts are collectible, the Company factors in the past credit history of the counterparties. The Company considers all amounts greater than 90 days as past due.

(amounts in US dollars)

As of September 30, 2013 and December 31, 2012, the Company's accounts receivable comprised the following:

	September 30, 2013	December 31, 2012
Petroleum and natural gas revenue	$ 3,464,353	$ 4,317,749
Joint operation receivables	5,478,433	4,247,374
	8,942,786	8,565,123
Allowance for doubtful accounts	(3,098,783)	(302,337)
Total accounts receivable	$ 5,844,003	$ 8,262,786

As of September 30, 2013 and December 31, 2012, the Company's accounts receivables are aged as follows:

	September 30, 2013	December 31, 2012
Current (0 - 30 days)	$ 5,840,563	$ 5,659,043
31 to 60 days	50,338	136,245
61 to 90 days	68,865	52,996
Past due (greater than 90 days)	2,983,020	2,716,839
Allowance for doubtful accounts	(3,098,783)	(302,337)
Total accounts receivable	$ 5,844,003	$ 8,262,786

Abandonment deposits

Abandonment deposits consist of cash deposited in an escrow account to secure a performance bond related to asset retirement obligations which were acquired by the Company in connection with the Probe transaction (note 6). The exposure to credit risk has been assessed by management to be minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due.

The Company's trade accounts payable are normally due within 30 - 60 days from receipt of invoice.

The Company's accounts payable and accrued liabilities as of September 30, 2013 and December 31, 2012 are aged as follows:

	September 30, 2013	December 31, 2012
Current (0 - 30 days)	$ 13,624,906	$ 7,947,323
31 to 60 days	1,930,167	1,374,172
61 to 90 days	2,817,202	73,067
Greater than 90 days	-	236,138
Total accounts payable and accrued liabilities	$ 18,372,275	$ 9,630,700

The Company's repayment terms for amounts due to related parties are discussed in note 13.

The Company's repayment terms for loans payable are further discussed in note 5 and 16.

The Company is also subject to future commitments and contingencies as disclosed in notes 12 and 14.

At September 30, 2013, the Company had a working capital deficiency of $10,905,428. Management believes that expected future cash flow from operations and possible asset divestitures will be sufficient to settle its trade accounts payable and other current liabilities. The Company will also continue to examine other corporate strategies, including asset divestitures and additional debt or equity financings, in order to finance its ongoing capital expenditure program and settle its long-term liabilities as they fall due (see also note 16).

(d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Company's net income or the value of financial instruments.

Foreign currency risk

Prices received by the Company for petroleum and natural gas are denominated in U.S. dollars. The Company had nominal working capital amounts denominated in currencies other than US dollars and had no forward exchange rate contracts in place as of or during the period ended September 30, 2013 or year ended December 31, 2012. Shares of the Company are traded in Canadian dollars.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's loans payable at September 30, 2013 are at a fixed interest rate (note 5). The Company had no interest rate swaps or financial contracts in place as of or during the nine month period ended September 30, 2013.

(amounts in US dollars)

Commodity price risk

The Company has entered into certain fixed price contracts. These contracts have been entered into for the purpose of physical delivery of a non-financial item; therefore, the physical delivery contracts are not fair valued. Settlements on these contracts are included in petroleum and natural gas revenue as they occur.

The Company's remaining fixed price contracts as at September 30, 2013, net to its respective working interests, are as follows:

For the period April 1, 2013 through October 31, 2013, the Company is obligated to sell approximately 3,100 MMBtu per day of natural gas at a fixed price of $3.60 per MMBtu.

For the period October 1, 2013 through October 31, 2013, the Company is obligated to sell all crude oil volumes produced at its Vermilion 376 field (approximately 1,000 barrels per day) at a fixed price of $105 per barrel.

For the period November 1, 2013, through April 1, 2014, the Company is obligated to sell 350 barrels per day of crude oil at a fixed price of $102.95 per barrel.

For the period July 1, 2013 through October 31, 2013, the Company was obligated to sell approximately 4,000 MMBtu per day of natural gas at a fixed price of $3.86 per MMBtu. During the quarter ended September 30, 2013, the Company agreed to unwind the portion of this contract covering August 1, 2013 through October 31, 2013 for gross proceeds of approximately $59,000.

(e) Capital management

The Company's capital management policy is to maintain a strong capital base that optimizes the Company's ability to grow, to maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company considers working capital to form its capital structure and strives to maintain positive working capital. When working capital deficits arise in the normal course of operations, the Company responds by minimizing capital and operating expenses and, when prudent, through selective asset divestitures until adequate working capital is restored.

The Company's working capital (deficit) surplus is as follows:

	September 30, 2013	December 31, 2012
Current assets	$ 13,366,301	$ 16,970,316
Current liabilities	(24,271,729)	(14,560,699)
Total	$ (10,905,428)	$ 2,409,617

The Company is required to meet certain financial covenants relating to its loans payable as further discussed in note 5. The Company is not subject to any other externally imposed capital requirements. There has been no change to management's approach to managing capital during the nine month period ended September 30, 2013.

(amounts in US dollars)

4. Property and equipment

	Petroleum and natural gas interests	Office furnishings and improvements	Total
Cost			
Balance at December 31, 2011	$ 59,463,066	$ 565,892	$ 60,028,958
Additions	36,201,825	38,268	36,240,093
Non-cash additions from Probe transaction	14,932,966	-	14,932,966
Dispositions	(2,791,777)	-	(2,791,777)
Transfers to assets held for sale	(3,968,381)	-	(3,968,381)
Transfers to exploration and evaluation expenses related to dry holes	(4,031,388)	-	(4,031,388)
Asset retirement obligations	4,163,599	-	4,163,599
Balance at December 31, 2012	$ 103,969,910	$ 604,160	$ 104,574,070
Additions	28,428,452	23,324	28,451,776
Transfers to exploration and evaluation expenses related to dry holes	(2,162,364)	-	(2,162,364)
Asset retirement obligations	-	-	-
Balance at September 30, 2013	$ 130,235,998	$ 627,484	$ 130,863,482
Depletion, depreciation and impairment			
Balance at December 31, 2011	$ 27,243,987	$ 304,252	$ 27,548,239
Dispositions	(282,772)	-	(282,772)
Transfers to assets held for sale	(3,615,599)	-	(3,615,599)
Depletion and depreciation for the period	8,355,531	62,455	8,417,986
Impairment	370,271	-	370,271
Balance at December 31, 2012	$ 32,071,418	$ 366,707	$ 32,438,125
Depletion and depreciation for the period	6,761,545	45,252	6,806,797
Impairment	-	-	-
Balance at September 30, 2013	$ 38,832,963	$ 411,959	$ 39,244,922
Net book value			
December 31, 2012	$ 71,898,492	$ 237,453	$ 72,135,945
September 30, 2013	$ 91,403,035	$ 215,525	$ 91,618,560

The calculation of depletion and depreciation for the nine month period ended September 30, 2013 included estimated future development costs of $31,221,259 (December 31, 2012 - $40,246,900) associated with the development of the Company's proved and probable reserves.

Through September 30, 2013, the Company has not capitalized any interest or general and administrative expenses.

(amounts in US dollars)

Exploration and evaluation expenses include pre-license seismic and other pre-license evaluation costs incurred, net of any recoveries from joint venture partners, and transfers from property and equipment related to unsuccessful drilling costs.

At September 30, 2013, the Company tested its cash-generating units for impairment. There were no impairments or impairment reversals recognized during the nine month period ended September 30, 2013. The Company recognized $346,786 of impairment expense during the period ended September 30, 2012.

5. Loans payable

Loans payable at September 30, 2013 and December 31, 2012 consist of the following:

	September 30, 2013	December 31, 2012
Senior secured notes dated October 22, 2012 for $22,500,000 with interest at 12% per annum payable quarterly, due October 22, 2014, secured by first priority security interest on all assets (i)	$ 20,597,796	$ 19,470,426
Related party note payable dated April 26, 2012, with an initial maturity date of April 26, 2014 and subordinated to senior secured notes, with interest at 14.5% per annum, interest due at maturity, and secured by certain petroleum and natural gas properties (ii)	6,463,000	6,463,000
	27,060,796	25,933,426
Less: short-term portion	-	-
Long-term portion	$ 27,060,796	$ 25,933,426

The loans payable at September 30, 2013 are scheduled to mature as follows:

2014	$ 27,060,796
2015	-
Total	$ 27,060,796

(i) On October 22, 2012, the Company entered into a Note Purchase Agreement and issued Senior Secured Notes (the “Notes”) in the amount of $22,500,000 due on October 22, 2014 and issued warrants exercisable for up to 9,000,000 common shares of the Company at an exercise price of US$1.00 per common share until October 22, 2017. The warrants are also eligible to be exercised on a “cashless” basis in accordance with the terms of the agreement. No warrants have been exercised to date.

(amounts in US dollars)

The fair value of the warrants are estimated on initial recognition and at the end of each reporting period using a Level 2 fair value hierarchy, with changes in fair value recognized in income as unrealized gain (loss) on financing warrants. The loans payable component, net of the loan origination fees, is measured at amortized cost using the effective interest rate method, and is being accreted over two years to the principal value on maturity, with a corresponding non-cash charge to income.

The following table shows the changes in the financing arrangement balances:

	Loans payable	Financing warrants	Total
Balance, October 22, 2012	$ 19,215,410	$ 2,384,000	$ 21,599,410
Accretion	255,016	-	255,016
Unrealized gain on revaluation	-	(1,317,000)	(1,317,000)
Balance, December 31, 2012	19,470,426	1,067,000	20,537,426
Accretion	1,127,371	-	1,127,371
Unrealized loss on revaluation	-	543,000	543,000
Balance, September 30, 2013	$ 20,597,797	$ 1,610,000	$ 22,207,797

The fair value of the financing warrants on the grant date and subsequent reporting periods was determined using the Black-Scholes model with the following assumptions:

	September 30, 2013	December 31, 2012	October 22, 2012 (issuance date)
Risk-free interest rate	1.39%	0.73%	0.78%
Expected life (years)	4.06	4.81	5
Expected volatility	50.0%	50.0%	50.0%
Expected annual dividend yield	0.00%	0.00%	0.00%
Stock price	$0.65	$0.50	$0.75
Exercise price	$1.00	$1.00	$1.00

The Company is required to meet certain covenants including a quarterly collateral coverage covenant under the terms of the Note Purchase Agreement. The collateral coverage ratio, which is a non-IFRS measure, is defined as the ratio between the value of proved developed producing reserves, as defined in the Note Purchase Agreement, plus cash and cash equivalents, to the outstanding unpaid principal and unpaid accrued interest of the Notes plus any outstanding accounts payable. Prior to September 30, 2013, the Company negotiated an amendment to the Note Purchase Agreement for consent to enter into a subordinated secured credit facility (note 16) and for waiver of any potential events of default under the Note Purchase Agreement. The administrative agent of the Note Purchase Agreement agreed to waive any default under the Note Purchase Agreement and to consent to the subordinated secured credit facility conditioned upon entry into a mutually agreed amendment to the Note Purchase Agreement.

Unpaid Interest relating to the principal balance of $690,000 and $525,000 has been accrued and included in accounts payable and accrued liabilities at September 30, 2013 and December 31, 2012, respectively.

(ii) The related party note payable totalling $6,463,000 at September 30, 2013 and December 31, 2012 is due to a significant shareholder of the Company. Accrued interest payable totalling $1,087,406 at September 30, 2013 and $262,735 at December 31, 2012 is due at maturity. The initial maturity date is April 26, 2014 subject to other terms of the agreement. However, pursuant to an intercreditor subordination agreement, the principal amount of the note plus accrued interest is subordinate to the Note Purchase Agreement (note 5(i)) and therefore payment is not required prior to repayment of amounts due under the Note Purchase Agreement on October 22, 2014. Accordingly, the respective debt and accrued interest amounts are classified as long-term liabilities at September 30, 2013.

Prior to the Note Purchase Agreement, the related party note bore interest at Libor plus 5% per annum. As a result of the Note Purchase Agreement, the related party note payable bears interest at the Senior Secured Notes rate of 12% plus 2.5%.

(iii) During the quarter ended September 30, 2012, the Company obtained a bridge loan for $15,000,000 (of which $8,000,000 was drawn) bearing interest at 8% plus 2% discount on advances, was due and paid on October 23, 2012 and was secured by certain petroleum and natural gas properties. The bridge loan was due to related parties who are significant shareholders and/or directors of the Company. For the three months ended September 30, 2012, the Company incurred interest to the related parties of $115,726 which is included in finance expense. The Company also paid a 2% loan origination fee totalling $180,000 which is included in finance expense for the three months ended September 30, 2012 (note 9).

6. Asset retirement obligations and deposits

Asset retirement obligations were determined by management based on the Company's net ownership interest, the estimated future costs to reclaim and abandon the wells and facilities, and the estimated timing of when the costs will be incurred.

(amounts in US dollars)

The following table summarizes changes in the asset retirement obligations for the period ended September 30, 2013 and the year ended December 31, 2012:

	September 30, 2013	December 31, 2012
Asset retirement obligations, beginning of period	$ 18,071,240	$ 13,008,253
Liabilities incurred	-	223,914
Liabilities acquired	-	3,837,917
Liabilities disposed	-	(19,824)
Transfers to liabilities associated with assets held for sale	-	(193,527)
Liabilities settled	(769,150)	(4,232,235)
Revisions to estimates and changes in discount rate	-	2,591,030
Loss on plug and abandonments	-	2,362,072
Accretion (unwinding of discount)	426,556	493,640
Asset retirement obligations, end of period	$ 17,728,646	$ 18,071,240

The estimated inflated undiscounted cash flows required to settle the provisions, before considering salvage, are approximately $20.8 million (December 31, 2012 - $21.6 million), which has been discounted using a risk-free rate of 2.55% (December 31, 2012 - 2.55%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 14 years into the future.

At September 30, 2013 and December 31, 2012, the Company had a $3,762,000 cash deposit made to back the performance bond that was required by the Bureau of Ocean Energy Management (BOEM) on the ownership interest in properties owned by Probe prior to April 30, 2012. These funds are restricted for use in meeting the Company's asset retirement obligation specific to those properties and will be released upon satisfactory completion of plugging and abandonment operations for specific wells and/or structures as the work is completed. The Company is required to abandon certain fields covered by this bond within the next 12 months. As a result, $3,112,000 of the deposit has been classified as short-term and included in restricted cash as at September 30, 2013.

During the three month period ended March 31, 2012, the Company incurred and expensed costs in excess of the previously recorded asset retirement obligation in the amount of $2,362,072 for the plugging operations of two wells at East Cameron 129, which is included in income as plug and abandonment expense.

7. Share capital

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of voting common shares and voting proportionate shares.

(amounts in US dollars)

(b) Issued

The following table summarizes the changes in common shares and proportionate voting shares outstanding:

	Number of Shares	Stated Value
Common shares		
Outstanding, December 31, 2011	1,000	$ 12,250,000
Probe common shares outstanding at December 31 2011 [(1)]	14,184,423	-
Elimination of Rooster voting shares	(1,000)	-
Subscription receipts issued, net of issuance costs	-	20,122,951
Issued on reverse acquisition transactions	26,210,400	8,536,188
Allocation of stated value to proportionate voting shares	-	(29,162,552)
Outstanding, December 31, 2012	40,394,823	11,746,587
Issued on cashless exercise of stock options	2,500	2,043
Outstanding, September 30, 2013	40,397,323	$ 11,748,630
Proportionate voting shares		
Outstanding, December 31, 2011	-	$ -
Issued on reverse takeover transaction	65,071	29,162,552
Outstanding, September 30, 2013 and December 31, 2012	65,071	29,162,552
Total share capital stated value, September 30, 2013 and December 31, 2012		$ 40,911,182

[(1)] Represents the number of common shares of Probe after 250:1 consolidation.

(c) In conjunction with the Probe transactions (note 1), the Company received net share capital of $20,122,951 through a subscription receipts offering. Share issuance costs incurred of $802,308 represent costs associated with agents' commissions of $678,095 and legal fees of $124,213.

Of the total subscription receipts issued, an aggregate of 18,941,700 subscription receipts were issued to related parties who were significant shareholders, directors, and/or officers of the Company on the same terms as outside parties.

The common shares may at any time, at the option of the holder, be converted into proportionate voting shares of the Company on the basis of 1,000 common shares for one proportionate voting share for no consideration. Each issued and outstanding proportionate voting share may at any time, at the option of the holder, be converted into 1,000 common shares of the Company for no consideration. The common shares and proportionate voting shares have the same rights and are equal in all respects as if they were shares of one class only. For purposes of voting and dividend rights, the proportionate voting shares are multiplied by 1,000, equal to the conversion ratio. The values assigned to the common shares and the proportionate voting shares at acquisition were based on the proportion of new shares issued in the reverse acquisition.

(amounts in US dollars)

(d) During the nine month period ended September 30, 2013, 6,666 stock options were exercised under a cashless exercise provision of the plan (note 8), whereby the Company issued 2,500 common shares in settlement of the stock options (December 31, 2012 – nil).

8. Stock-based compensation

The Company has a stock option plan under which options may be granted to employees, officers, directors, and consultants.

On June 5, 2012, 4,820,645 stock options were granted with an exercise price of CDN $0.50. Additionally, on September 11, 2013, 4,532,759 of stock options were granted with an exercise price of CDN $0.82. Each stock option is exercisable to acquire one common share of the Company for a period of ten years and vests as to 1/3 on each of the 1st, 2nd and 3rd anniversary dates from the date of grant. The stock option plan provides that a holder of an option may, rather than exercise such option, elect a cashless exercise of such option payable in common shares equalling the amount by which the value of an underlying common share at that time exceeds the exercise price of an option to acquire such share. On a cashless exercise, the holder of an option receives a lesser amount of shares in lieu of paying the exercise price based on the market price of the shares on the exercise date, and withholding taxes, if the holder so elects.

A summary of the changes in the outstanding options awarded under the Company's stock option plan is as follows:

	Nine months ended September 30, 2013		Year ended December 31, 2012	
	Number	**Exercise Price(CDN$)**	**Number**	**Exercise Price(CDN$)**
Outstanding, beginning of period	4,820,645	0.50	-	-
Granted	4,532,759	0.82	4,820,645	0.50
Exercised (1)	(6,666)	0.50	-	-
Forfeited	(53,334)	0.50	-	-
Outstanding, end of period	9,293,404	0.66	4,820,645	0.50
Exercisable, end of period	1,586,882	0.50	-	-

(1) The difference from the number of shares issued from stock option exercises on the consolidated statement of changes in shareholders equity is due to the cashless exercise. The price of the Company's common shares at the date the stock options were excercised was CDN $0.80

(amounts in US dollars)

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 September 30, 2013:

Options Outstanding			Options Exercisable	
Exercise Price (CDN$)	**Number Outstanding**	**Remaining Life**	**Number Exercisable**	**Exercise Price**
$0.50	4,760,645	8.7	1,586,882	$ 0.50
$0.82	4,532,759	9.9	-	$ -
Total	**9,293,404**	**9.3**	**1,586,882**	**$ 0.50**

The fair value of options granted were estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

For the nine month period ended	**September 30, 2013**	**September 30, 2012**
Assumptions:		
Stock price (CDN$)	$ 0.82	$ 0.50
Exercise price (CDN$)	$ 0.82	$ 0.50
Risk free interest rate (%)	2%	2%
Expected life (years)	10	10
Expected volatility (%) (1)	50%	50%
Estimated forfeiture rate (%)	5%	-
Expected dividend yield	-	-
Fair value of options granted (CDN$)	**$ 0.40**	**$ 0.31**
Share price on date of grant (CDN$)	**$ 0.82**	**$ 0.50**

(1) Based on other peer group companies in the oil and gas industry.

During the three and nine month periods ended September 30, 2013 $200,085 and $595,382 (2012 - $190,755 and $289,885), respectively, was recorded as stock-based compensation relating to the stock options granted in 2013 and 2012, with a corresponding increase in contributed surplus.

(amounts in US dollars)

9. Finance expenses

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Interest expense on loans payable (note 5(i))	$ 690,000	$ -	$ 2,047,500	$ -
Interest on note payable to related parties (note 5(ii))	639,704	97,260	824,671	168,057
Interest expense on amounts due to related parties	-	-	-	132,782
Interest expense and loan origination fees on related party bridge loan (note 5(iii))	-	295,726	-	295,726
Accretion of note payable discount (note 5(i))	390,906	-	1,127,370	-
Accretion of asset retirement obligations (note 6)	142,185	79,041	426,556	237,122
Other	(1,490)	-	(26)	-
Total finance expenses	$ 1,861,305	$ 472,027	$ 4,426,071	$ 833,687

10. Income per share

The following table summarizes the weighted average number of common shares used in calculating income per share:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Basic	105,467,997	105,465,823	105,465,898	99,201,899
Effect of dilutive stock options	1,193,603	1,563,452	-	1,393,135
Diluted	106,661,600	107,029,275	105,465,898	100,595,034

Basic income per share figures for the periods ended September 30, 2013 and 2012 have been calculated using the weighted average number of common shares (post-consolidation) outstanding plus the weighted average number of proportionate voting shares outstanding at the conversion ratio of 1,000 common shares for each outstanding proportionate voting share. The total weighted average number of shares outstanding for the period ended September 30, 2012 has been adjusted to reflect the equivalent number of Probe shares issued to Rooster shareholders upon the reverse acquisition transactions.

The calculation of diluted net income per share for the three month period ended September 30, 2013 excludes the impact of 9,000,000 warrants (2012 - nil) and 4,532,759 stock options (2012 - nil) as the inclusion of these warrants and options would have been anti-dilutive.

The calculation of diluted net income per share for the nine month period ended September 30, 2013 excludes the impact of 9,000,000 warrants (2012 - nil) and 9,293,404 stock options (2012 - nil) as the inclusion of these warrants and options would have been anti-dilutive.

(amounts in US dollars)

11. Supplemental cash flow information

(a) Changes in non-cash working capital, excluding non-cash changes during 2012 for working capital balances acquired in the Probe acquisition, comprise the following:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Source (use) of cash:				
Accounts receivable	$ 222,906	$ (4,715,085)	$ 2,418,783	$ (8,266,213)
Prepaid expenses and deposits	320,451	(573,513)	(2,226,457)	(806,166)
Accounts payable and accrued liabilities	6,198,430	(8,088,476)	8,741,575	15,777,303
Changes in non-cash working capital from Probe transaction (note 1)	-	-	-	(4,160,960)
Due to related parties	125,988	262,857	(965,573)	(8,520,109)
Changes in non-cash working capital	$ 6,867,775	$ (13,114,217)	$ 7,968,328	$ (5,976,145)
Related to operating activities	$ 2,501,417	$ (13,715,298)	$ 3,935,255	$ (7,427,466)
Related to investing activities	4,366,358	601,081	4,033,073	1,451,321
Related to financing activities	-	-	-	-
	$ 6,867,775	$ (13,114,217)	$ 7,968,328	$ (5,976,145)

(b) Cash and cash equivalents comprised the following:

	September 30, 2013	December 31, 2012
Bank balances	$ -	$ 7,367,848
Cash equivalents	$ -	$ -

(c) Interest and income taxes paid

The Company made cash outlays for interest in the amounts of $1,882,500 and $nil during the nine months ended September 30, 2013 and 2012, respectively.

The Company has not paid any income taxes during the nine months ended September 30, 2013 or 2012.

(amounts in US dollars)

12. Commitments

(a) Operating leases

The Company leases its corporate headquarters in Houston, Texas, under a non-cancellable operating lease expiring in June 2017. The Company is obligated for the following future rental payments under this lease at September 30, 2013:

2013	$	50,160
2014		202,464
2015		206,112
2016		209,760
2017		105,792
Total	$	774,288

The Company also leases a field office facility in Abbeville, Louisiana under a non-cancellable operating lease expiring May 31, 2014. The monthly rent is $2,300.

(b) Production imbalances

Cash received by the Company for volumes of petroleum and natural gas sold may differ from the volumes to which the Company is entitled based on its interests in the properties. These differences create imbalances that are recognized as a liability only when the estimated remaining reserves will not be sufficient to enable the under-produced owner to recoup its entitled share through production. No receivables are recorded for those volumes where the Company has received less than its share of production. If an imbalance exists at the time the wells reserves are fully depleted, settlements are made among the joint interest owners under a variety of arrangements. The Company is obligated to discharge imbalance positions from future production.

13. Related party transactions

The Company has transactions with affiliates, including field services, rental of equipment, the reimbursement of operating expenses, and the payment of certain administrative services at terms determined by management. In addition two parties, related to the Company by way of common directors and officers, are participating as to a 7.5% working interest in the drilling of a well in the US Gulf of Mexico.

(amounts in US dollars)

Related party balances and transactions are as follows:

		September 30, 2013		December 31, 2012
Due to related parties (1)	$	3,770,899	$	4,736,472
Note payable due to related party (note 5(ii))		6,463,000		6,463,000
Accrued interest payable on note payable to related party (note 5(ii))		1,087,406		262,735
Drilling prepayments received from related parties included in accounts payable		1,148,805		-
Total	$	12,470,110	$	11,462,207

(1) Represents amounts payable to related parties in the ordinary course of business for operating expenses and capital expenditures. Payments are made as cash flows allow within the constraints of the Note Purchase Agreement. The amounts due to related parties are unsecured, non-interest bearing, and have no fixed terms of repayment.

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2013		2012		2013		2012
Purchases from related parties	$	41,045	$	227,954	$	244,675	$	2,361,102
Interest expense on amounts due to related parties		-		-		-		132,782
Interest expense on note payable to related party (note 5(ii))		639,704		97,260		824,671		168,057
Interest expense and origination fees on related party bridge loan (note 5(iii))		-		295,726		-		295,726
Total	$	680,749	$	620,940	$	1,069,346	$	2,957,667

14. Contingencies

Certain claims and counterclaims have been filed against the Company which arise in the normal course of business. Management has assessed these legal actions to be without merit and/or the Company expects to be fully indemnified, and the likelihood of loss to the Company is remote except as noted below. Accordingly, no amounts have been accrued in the September 30, 2013 consolidated financial statements relating to these actions.

There is only one threatened or pending legal matter that, in the opinion of management, could have a material impact on our consolidated results of operations, financial position or cash flows.

(amounts in US dollars)

In 2012, the Company assigned a 25% participation interest in the Vermilion Area Block 376 #A-3 and #A-4 wells in consideration of the assignee paying it's agreed to proportionate share of the drilling, completion and lease operating costs. The assignee failed to pay certain invoiced amounts and on November 20, 2012 the Company, as operator of the wells, filed a lien in the amount of $2,264,701 against the interest in the wells. Additionally, on March 27, 2013, the Company filed an action to recover all amounts due per the lien in addition to unpaid lease operating expenses, damages, interest, attorney fees, etc. In response, the assignee of the interest and three of its affiliates filed counter-claims against the Company. The assignee et al also named certain officers and/or directors of the Company as defendants in the action and the Company has agreed to indemnify and defend those individuals as the claims asserted against each of them is based on the same facts and circumstances alleged against the Company.

The Company asserts that it has valid defenses to the counter-claims and is of the opinion that it will not be subject to any material damage award in the matter.

15. Income taxes

(a) Deferred income tax expense

The provision for income taxes differs from the results which would have been obtained by applying the combined federal and provincial income tax rate to the Company's income before income tax. The difference results from the following items:

	Nine Months Ended September 30, 2013
Income before income taxes	$ 2,436,296
Statutory tax rate:	35.0 %
Expected income tax expense	853,000
Difference resulting from:	
Stock-based compensation	208,000
Unrealized loss on financing warrants	191,000
Accretion of note payable discount	276,000
Changes in permanent differences and other	(452,000)
Total income tax expense	$ 1,076,000

The US federal rate is 35%. All of the Company's producing petroleum and natural gas interests are located offshore in US federal waters and, accordingly, no US state taxes have been applied.

(amounts in US dollars)

(b) Deferred income tax assets and liabilities:

The components of the Company's deferred income tax liabilities (assets) and associated movements are as follows:

	December 31, 2012	Recognized in income	September 30, 2013
Property and equipment assets	$ 12,860,000	$ 14,683,000	$ 27,543,000
Asset retirement obligations	(6,325,000)	120,000	(6,205,000)
US net operating losses	(2,151,000)	(12,823,000)	(14,974,000)
Canadian non-capital losses	(1,158,000)	(866,000)	(2,024,000)
Share issuance and other temporary differences	251,000	(676,000)	(425,000)
Valuation allowance	1,811,000	638,000	2,449,000
Deferred income tax asset (1)	$ (3,709,000)	$ (713,000)	$ (4,422,000)
Deferred income tax liability (2)	$ 8,997,000	$ 1,789,000	$ 10,786,000

(1) Probe Resources, Ltd.

(2) Rooster Energy, L.L.C., Rooster Petroleum, LLC and Rooster Oil & Gas, LLC

The amount and timing of reversals of temporary differences will be dependent upon a number of factors including the Company's future operating results. The US net operating losses are available for deduction against future taxable income until 2033.

Future tax benefits related to tax deductions in Canada have been offset with a valuation allowance, applied using a combined federal and provincial tax rate of 25% due to the uncertainty of realization. The Canadian non-capital losses expire between 2030 and 2032.

16. Subsequent events

Effective October 11, 2013, the Company entered into a First Amendment to the Note Purchase Agreement. Pursuant to same, the Company and the Note holders agreed to covenant revisions related to altering the approved plan of drilling by the Company. The Company also received approval to enter into a subordinated secured credit facility for borrowings up to CDN $8.0 million, as more specifically described below. The Company paid a consent fee of $450,000 to the Note holders and legal fees incurred by the Note holders.

On October 11, 2013, the Company entered into a subordinated secured credit facility with two related parties who are significant shareholders and/or directors of the Company 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 net proceeds of $3,783,627. The interest rate is 9% on all advances, and the credit facility matures 181 days following full satisfaction of the terms of the existing Note Purchase Agreement, 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.

Effective March 7, 2014, the Company entered into membership interest contribution agreements whereby the Company will acquire all of the membership interests of Morrison Well Services, LLC (“Well Services”) and Cochon Properties, LLC (“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, with the remaining amount payable by way of common shares of the Company. The number of Rooster 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 on the TSX Venture Exchange for the 20 consecutive trading days ending on and including the date that is 10 business days prior to the special shareholder meeting to approve the transactions, subject to a floor price of CDN $0.40 and a cap 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 controlled by a related party who is a significant shareholder and director of the Company. Closing of the transactions are expected to occur in the second quarter of fiscal 2014, subject to, among other conditions, receipt of required regulatory and shareholder approvals.

In order to enter into the membership interest contribution agreements, the Company obtained the consent of the holders of the 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 the Company was in existing and continuing default of the collateral coverage ratio covenant of the Notes as at December 31, 2013. In order to allow for the acquisition of Cochon and Well Services, the Limited Consent provides that, the holders of the Notes will forbear from exercising certain rights and remedies under the Note Purchase Agreement and certain related documents in respect of the default until July 7, 2014, or such earlier date if certain events of insolvency or other customary events of default occur. The Company is also engaged in discussions for a new credit facility that would allow it to satisfy its obligations to the holders of the Notes and resolve its working capital deficiency (see also note 3 (c)). However, there can be no assurance that such credit facility will be made available on terms acceptable to the Company or at all.

Also effective March 7, 2014, the Company entered into an additional second lien credit facility with a related party who is a significant shareholder and director of the Company and who controls Cochon and Well Services, for borrowing of up to $10 million. The initial advance was $4.4 million, net of an original issue discount of 10%, for a funded amount equal to $4 Million. The credit facility is fully subordinated to the Company’s Senior Secured Notes issued pursuant to the Note Purchase Agreement (note 5). Amounts drawn on the credit facility bear interest at 14% per annum, and are repayable 181 days after the full satisfaction of the Senior Secured Notes. The credit facility is secured by the Company’s petroleum and natural gas properties and assets.

In order to enter into the second lien credit facility, the Company obtained the consent of the holders of the Notes pursuant to a second amendment to the Note Purchase Agreement dated March 7, 2014, which provides for various conditions including the requirement for the Company to restrict any payments under the facility as provided for in a subordination agreement. In addition, the Company will be required to pay to the holders of the Notes, an amount equal to 3% of the principal amount repaid.