ROOSTER ENERGY LTD

Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended September 30, 2015 and 2014

NOTICE OF NO AUDITOR REVIEW

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), the accompanying unaudited condensed interim consolidated financial statements have been prepared by management. The Company's independent auditors have not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

Contents

ROOSTER ENERGY LTD

Condensed Interim Consolidated Balance Sheets

(unaudited - amounts in US dollars)

	Notes	September 30, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents	4(b), 15	$ 5,306,958	$ 137,670
Restricted cash	4(b), 9	3,804,155	3,804,155
Accounts receivable	4(b)	17,430,672	12,739,540
Fair value of commodity contracts	4(g)	4,252,708	6,638,736
Decommissioning contracts receivable	9	24,563,024	30,542,962
Prepaid expenses	10	6,223,820	5,036,937
Total current assets		61,581,337	58,900,000
Fair value of commodity contracts	4(g)	2,372,507	531,234
Decommissioning contracts receivable	9	26,071,635	40,113,972
Exploration and evaluation assets	5	207,172	207,172
Property and equipment	6	111,702,392	106,783,591
Note receivable	7	4,201,944	4,104,712
Asset retirement deposits	9	1,654,645	1,654,645
Deferred income taxes		5,565,000	5,565,000
Total assets		$ 213,356,632	$ 217,860,326
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	4(c)	$ 19,137,271	$ 16,912,740
Deferred revenue	9	3,872,526	5,418,348
Loans payable	8	13,548,787	1,296,819
Due to related parties	16	9,414,410	6,635,761
Asset retirement obligations	9	30,923,018	36,330,069
Total current liabilities		76,896,012	66,593,737
Long-term liabilities			
Deferred revenue	9	6,432,974	7,116,254
Loans payable	8	58,942,979	56,450,061
Financing warrants	8	-	1,000
Accrued interest payable	8	5,051,724	3,313,699
Due to related parties	16	3,671,353	3,943,111
Deferred income taxes		8,130,000	7,448,000
Asset retirement obligations	9	37,369,861	53,114,360
Total liabilities		196,494,903	197,980,222
Shareholders' equity			
Share capital	11	122,112,182	122,112,182
Reserve from common control		(77,545,026)	(77,545,026)
Contributed surplus	11	4,098,426	2,816,379
Deficit		(31,803,853)	(27,503,431)
Total shareholders' equity		16,861,729	19,880,104
Total liabilities and shareholders' equity		$ 213,356,632	$ 217,860,326

Commitments and contingencies (note 15)

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

ROOSTER ENERGY LTD

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(unaudited - amounts in US dollars)

	Notes	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
			(Note 3)		(Note 3)
Revenue					
Petroleum and natural gas		$ 4,253,633	$ 12,373,069	$ 16,813,936	$ 36,551,630
Production handling		59,402	163,881	147,213	1,144,088
Well services		7,714,705	9,728,895	15,026,522	22,828,659
Decommissioning contracts		719,821	1,617,584	6,583,446	5,459,148
Revenue before the following:		12,747,561	23,883,429	38,571,117	65,983,525
Realized gain on commodity contracts	4(g)	1,912,583	-	6,026,033	-
Unrealized gain (loss) on commodity contracts	4(g)	4,292,899	-	(544,755)	-
Total revenue		$ 18,953,043	$ 23,883,429	$ 44,052,395	$ 65,983,525
Expenses					
Lease operating		4,593,980	8,229,623	16,189,634	23,454,787
Cost of well services		4,036,739	6,081,906	9,278,608	14,970,190
Depreciation and depletion	6	1,365,711	2,356,454	5,091,479	7,086,590
Repairs and maintenance		287,241	469,537	815,270	1,291,595
General and administrative		3,038,292	3,892,509	9,356,793	11,945,622
Bad debt	4(b)	-	(2,734,759)	17,174	(2,558,483)
Stock-based compensation	11	161,018	344,521	1,282,047	1,162,423
Impairment recovery, net	6	-	-	-	(714,050)
Transaction expenses		-	310,357	-	310,357
Total expenses		13,482,981	18,950,148	42,031,005	56,949,031
Operating income		5,470,062	4,933,281	2,021,390	9,034,494
Gain (loss) on asset retirement obligations	9	427,574	(404,818)	3,786,673	(404,818)
Unrealized gain on financing warrants	8	-	682,000	1,000	395,000
Finance expenses	12	(3,279,103)	(4,363,746)	(9,427,485)	(10,143,490)
Income (Loss) before income taxes		2,618,533	846,717	(3,618,422)	(1,118,814)
Deferred income tax expense (recovery)		2,473,000	441,000	682,000	(137,000)
Income (Loss) and comprehensive Income (Loss)		$ 145,533	$ 405,717	$ (4,300,422)	$ (981,814)
Income (Loss) per share	13				
Basic		$0.00	$0.00	($0.01)	$0.00
Diluted		$0.00	$0.00	($0.01)	$0.00

Segment Information (Note 17)

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

(unaudited - amounts in US dollars)

	Notes	Number of Common Shares [1]	Share Capital Stated Value	Number of Proportionate Voting Shares	Proportionate Voting Shares Stated Value	Reserve From Common Control	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2013		259,028,502	$ 92,949,630	65,071	$ 29,162,552	$ (65,798,473)	$ 1,511,146	$(17,764,065)	$ 40,060,790
Stock-based compensation		-	-	-	-	-	1,162,423	-	1,162,423
Adjustment to reserve account		-	-	-	-	(1,174,919)	-	-	(1,174,919)
Loss for the period		-	-	-	-	-	-	(981,814)	(981,814)
Balance, September 30, 2014		259,028,502	$ 92,949,630	65,071	$ 29,162,552	$ (66,973,392)	$ 2,673,569	$(18,745,879)	$ 39,066,480
Stock-based compensation	11	-	-	-	-	-	142,810	-	142,810
Adjustment to reserve account		-	-	-	-	(10,571,634)	-	-	(10,571,634)
Loss for the period		-	-	-	-	-	-	(8,757,552)	(8,757,552)
Balance, December 31, 2014		259,028,502	$ 92,949,630	65,071	$ 29,162,552	$ (77,545,026)	$ 2,816,379	$(27,503,431)	$ 19,880,104
Stock-based compensation	11	-	-	-	-	-	1,282,047	-	1,282,047
Loss for the period		-	-	-	-	-	-	(4,300,422)	(4,300,422)
Balance, September 30, 2015		259,028,502	$ 92,949,630	65,071	$ 29,162,552	$ (77,545,026)	$ 4,098,426	$(31,803,853)	$ 16,861,729

[1] The authorized and issued share capital of the Company consists of 259,028,502 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 324,099,502 common shares (prior to the exercise of 19,039,190 stock options and 13,429,819 warrants.)

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

Condensed Interim Consolidated Statements of Cash Flows
(unaudited - amounts in US dollars)

	Notes	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014 (Note 3)	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014 (Note 3)
Cash and cash equivalents provided by (used in):					
Cash flows from operating activities					
Net loss		$ 145,533	$ 405,717	$ (4,300,422)	$ (981,814)
Adjustments for:					
Depreciation and depletion	6	1,365,711	2,356,454	5,091,479	7,086,590
Impairment expense (recovery)	6	-	-	-	(714,050)
Bad debt expense (recovery)		-	(2,734,759)	17,174	(2,558,483)
Stock-based compensation	11	161,018	344,521	1,282,047	1,162,423
Unrealized (gain) loss on commodity contracts	4(g)	(4,292,899)	-	544,755	-
Unrealized (gain) loss on financing warrants	8	-	(682,000)	(1,000)	(395,000)
Unrealized foreign exchange (gain) loss on related party credit facility	12	(245,616)	(238,058)	(499,134)	(185,113)
Accretion of loans payable discount	12	597,455	409,564	2,596,256	2,440,507
(Gain) loss on debt revaluation		-	-	(376,780)	-
Asset retirement obligation accretion	9	396,214	401,488	1,045,730	1,226,542
Gain (loss) on asset retirement obligation	9	(427,574)	404,818	(3,786,673)	404,818
Deferred income tax expense (recovery)		2,473,000	441,000	682,000	(137,000)
Income attributable to reserve from common control	3	-	(1,698,556)	-	(1,174,919)
Funds generated from operations		172,842	(589,811)	2,295,432	6,174,501
Cash abandonment costs	9	(4,191,215)	(2,686,361)	(11,445,465)	(5,308,710)
Changes in non-cash working capital	14	1,051,145	13,991,672	(2,778,935)	5,914,049
Changes in deferred revenue	9	(538,500)	216,307	(2,229,100)	4,575,019
Changes in decommissioning contracts receivable	9	4,510,197	1,463,471	12,707,514	3,774,769
Change in accrued interest payable	8	544,894	2,600,149	1,676,469	3,774,839
Net cash flows provided by (used in) operating activities		1,549,363	14,995,427	225,915	18,904,467
Cash flows from investing activities					
Capital expenditures for petroleum and natural gas properties	6	(8,246,620)	(11,118,147)	(11,927,039)	(15,312,843)
Capital expenditures for well service equipment		(4,134)	-	(103,229)	-
Acquisition of petroleum and natural gas properties	6	-	-	-	-
Capital expenditures for office furnishings and improvements	6	-	(2,513)	(13,748)	(19,426)
Changes in non-cash working capital	14	2,062,349	(4,125,770)	1,886,924	(6,688,151)
Net cash flows used in investing activities		(6,188,405)	(15,246,430)	(10,157,092)	(22,020,420)
Cash flows from financing activities					
Proceeds from loans payable	8	-	-	63,001,619	9,353,002
Repayment of loans payable	8	(1,332,577)	(778,091)	(47,629,396)	(778,091)
Changes in non-cash working capital	14	-	(1,318,813)	-	(1,318,813)
Repayment of advances from related parties	16	-	-	(271,758)	(4,000,000)
Net cash flows provided by financing activities		(1,332,577)	(2,096,904)	15,100,465	3,256,098
Net (decrease) increase in cash and cash equivalents		(5,971,619)	(2,347,907)	5,169,288	140,145
Cash and cash equivalents, beginning of period		11,278,577	8,275,380	137,670	5,787,328
Cash and cash equivalents, end of period	14	$ 5,306,958	$ 5,927,473	$ 5,306,958	$ 5,927,473

Supplemental cash flow information (note 14).

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 integrated oil and natural gas company with an exploration and production (E&P) business and a leading downhole and subsea well intervention and plugging and abandonment (P&A) service business. 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 its shares are publically traded on the TSX Venture Exchange under the symbol "COQ".

On November 17, 2014, Rooster closed: (i) a membership interest contribution agreement (the "Cochon Agreement") with the members of Cochon Properties, LLC ("Cochon") to acquire 100% of the membership interests in Cochon (the "Cochon Acquisition"); and (ii) a membership interest contribution agreement (the "Well Services Agreement") and, together with the Cochon Agreement, (the "Agreements") with Morrison Energy Group, LLC, ("MEG") to acquire 100% of the membership interest in Morrison Well Services, LLC ("Well Services") (the "Well Services Acquisition"). The Well Services Acquisition together with the Cochon Acquisition, are hereinafter referred to as the "Transaction". Cochon and Well Services were controlled by a related party who is a significant controlling shareholder and director of Rooster; consequently, all three entities were under common control at the time of the Transaction.

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

The condensed interim consolidated financial statements for Rooster Energy, Ltd. as at September 30, 2015 and for the three and nine months ended September 30, 2015 should be read in conjunction with the audited consolidated financial statements as at December 31, 2014 and for the year ended December 31, 2014. The condensed interim consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements.

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 were approved and authorized for issue by the Board of Directors on November 18, 2015.

3. Significant accounting policies

There were no new or amending accounting standards or interpretations adopted during the nine months ended September 30, 2015 that had a material effect on the Company's condensed interim consolidated financial statements.

On September 11, 2015, the IASB published an amendment to IFRS 15, deferring the effective date of the standard by one year to years beginning on or after January 1, 2018, with early adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is evaluating the impact on its financial statements.

There are no new or amending accounting standards or interpretations issued during the nine months ended September 30, 2015 that are applicable to the Company in future periods, with the exception of the amendment to IFRS 15 noted before.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgments

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, earnings and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

There have been no significant changes in the Company's critical accounting estimates and assumptions applied during the nine months ended September 30, 2015 relative to those disclosed in the Company's most recent annual audited consolidated financial statements as at and for the year ended December 31, 2014.

Basis of consolidation

As mentioned in Note 1, Cochon and Well Services were controlled by a related party who is a significant controlling shareholder and director of Rooster; consequently, all three entities were under common control at the time of the Transaction. The Transaction has been accounted for using the predecessor values since inception method. The consolidated financial statements have been presented by combining the entity financial statements of Rooster, the entity financial statements of Cochon and carved-out financial information of Well Services at their carrying values since the closing date, November 17, 2014 along with comparative periods as if the Transaction had occurred as at the earliest period presented. The difference between the consideration paid and the net assets acquired was recognized in the reserve from common control in shareholders' equity. These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Rooster Energy, LLC, Rooster Petroleum LLC; Rooster Oil & Gas LLC; Probe Resources US Ltd.; Cochon Properties, LLC and Morrison Well Services, LLC.

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

The effects on the consolidated financial statements for the three and nine months ended September 30, 2014 for the common control transaction are as follows:

Consolidated Balance Sheet September 30, 2014	**Rooster**	**Cochon**	**Well Services**	**Effect of Common Control Transaction**	**Consolidated**
Assets					
Current Assets					
Cash and cash equivalents	$ 1,582,703	$ 4,344,770	$ -	$ -	$ 5,927,473
Restricted cash	3,462,000	-	-	-	3,462,000
Accounts receivable	6,807,059	5,966,023	-	-	12,773,082
Decommissioning contracts receivable	-	27,229,855	-	-	27,229,855
Note receivable	-	4,072,301	-	-	4,072,301
Prepaid expenses	2,562,958	4,294,294	1,556,856	-	8,414,108
Total current assets	**14,414,720**	**45,907,243**	**1,556,856**	**-**	**61,878,819**
Decommissioning contracts receivable	-	46,736,866	-	-	46,736,866
Property and equipment	105,413,893	6,982,447	12,365,648	-	124,761,988
Note receivable	-	3,117,267	-	(3,117,267)	-
Asset retirement deposits	300,000	-	-	-	300,000
Total assets	**$ 120,128,613**	**$ 102,743,823**	**$ 13,922,504**	**$ (3,117,267)**	**$ 233,677,673**
Liabilities and shareholders' equity					
Current Liabilities					
Accounts payable and accrued liabilities	$ 21,898,048	$ 11,146,096	$ -	$ (1,243,690)	$ 31,800,454
Deferred revenue	-	4,554,437	-	-	4,554,437
Loans payable	39,458,887	2,074,911	-	-	41,533,798
Accrued interest payable	5,938,500	-	-	-	5,938,500
Due to related parties	5,172,044	-	-	-	5,172,044
Asset retirement obligations	5,392,167	27,485,075	-	453,667	33,330,909
Total current liabilities	**77,859,646**	**45,260,519**	**-**	**(790,023)**	**122,330,142**
Long-term liabilities					
Deferred revenue	-	7,817,160	-	-	7,817,160
Financing warrants	697,000	-	-	-	697,000
Deferred income taxes	4,438,000	-	-	-	4,438,000
Asset retirement obligations	12,153,969	47,174,922	-	-	59,328,891
Total liabilities	**95,148,615**	**100,252,601**	**-**	**(790,023)**	**194,611,193**
Shareholders' equity					
Share capital	40,911,182	1,000	20,609,376	60,590,624	122,112,182
Reserve from common control	-	-	(5,882,137)	(61,091,255)	(66,973,392)
Contributed Surplus	2,673,569	-	-	-	2,673,569
Deficit	(18,604,753)	2,490,222	(804,735)	(1,826,613)	(18,745,879)
Total shareholders' equity	**24,979,998**	**2,491,222**	**13,922,504**	**(2,327,244)**	**39,066,480**
Total liabilities and shareholders' equity	**$ 120,128,613**	**$ 102,743,823**	**$ 13,922,504**	**$ (3,117,267)**	**$ 233,677,673**

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

Consolidated statements of income (loss) and comprehensive income (loss) Three months ended September 30, 2014	**Rooster**	**Cochon**	**Well Services**	**Effect of Common Control Transaction**	**Consolidated**
Revenue					
Petroleum and natural gas	$ 6,507,598	$ 5,865,471	$ -	$ -	$ 12,373,069
Production handling		163,881	-	-	163,881
Well services	-	-	12,345,495	(2,616,600)	9,728,895
Decommissioning contracts	-	1,136,621	-	480,963	1,617,584
Total revenue	6,507,598	7,165,973	12,345,495	(2,135,637)	23,883,429
Expenses					
Lease operating	4,327,571	3,902,052	-	-	8,229,623
Cost of well services	-	-	7,981,045	(1,899,139)	6,081,906
Depreciation and depletion	1,213,634	177,156	965,664	-	2,356,454
Repairs and maintenance	-	-	469,537	-	469,537
General and administrative	1,245,486	450,666	2,196,357	-	3,892,509
Bad debt	(2,734,759)	-	-	-	(2,734,759)
Transaction expenses	310,357	-	-	-	310,357
Stock-based compensation	344,521	-	-	-	344,521
Total expenses	4,706,810	4,529,874	11,612,603	(1,899,139)	18,950,148
Operating income (loss)	1,800,788	2,636,099	732,892	(236,498)	4,933,281
Loss on asset retirement obligations	-	(404,818)	-	-	(404,818)
Unrealized gain on financing warrants	682,000	-	-	-	682,000
Finance expenses	(4,104,884)	(258,862)	-	-	(4,363,746)
Income (loss) before income taxes	(1,622,096)	1,972,419	732,892	(236,498)	846,717
Deferred income tax expense	441,000	(626,000)	(256,000)		(441,000)
Income (loss) and comprehensive income (loss)	$ (1,181,096)	$ 1,346,419	$ 476,892	$ (236,498)	$ 405,717

Consolidated statements of income (loss) and comprehensive income (loss) Nine months ended September 30, 2014	**Rooster**	**Cochon**	**Well Services**	**Effect of Common Control Transaction**	**Consolidated**
Revenue					
Petroleum and natural gas	$ 22,079,367	$ 14,472,263	$ -	$ -	$ 36,551,630
Production handling	-	1,144,088	-	-	1,144,088
Well services	-	-	27,670,176	(4,841,517)	22,828,659
Decommissioning contracts	-	4,192,061	-	1,267,087	5,459,148
Total revenue	22,079,367	19,808,412	27,670,176	(3,574,430)	65,983,525
Expenses					
Lease operating	10,454,413	13,000,374	-	-	23,454,787
Cost of well services	-	-	18,182,854	(3,212,664)	14,970,190
Depreciation and depletion	3,853,200	368,943	2,864,447	-	7,086,590
Repairs and maintenance	-	-	1,291,595	-	1,291,595
General and administrative	3,607,286	1,317,528	7,020,808	-	11,945,622
Bad debt	(2,558,483)	-	-	-	(2,558,483)
Transaction expenses	310,357	-	-	-	310,357
Stock-based compensation	1,162,423	-	-	-	1,162,423
Impairment, net	(714,050)	-	-	-	(714,050)
Total expenses	16,115,146	14,686,845	29,359,704	(3,212,664)	56,949,031
Operating income (loss)	5,964,221	5,121,567	(1,689,528)	(361,766)	9,034,494
Loss on asset retirement obligations		(404,818)		-	(404,818)
Unrealized gain on financing warrants	395,000			-	395,000
Finance expenses	(9,335,847)	(807,643)		-	(10,143,490)
Income (loss) before income taxes	(2,976,626)	3,909,106	(1,689,528)	(361,766)	(1,118,814)
Deferred income tax recovery	137,000	-	-	-	137,000
Income (loss) and comprehensive income (loss)	$ (2,839,626)	$ 3,909,106	$ (1,689,528)	$ (361,766)	$ (981,814)

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

Consolidated Statements of Cash Flow Three months ended September 30, 2014	Rooster	Cochon	Well Services	Effect of Common Control Transaction	Consolidated
Cash and cash equivalents provided by (used in):					
Cash flows from operating activities					
Net income (loss)	$ (1,181,096)	$ 1,346,419	$ 476,892	$ (236,498)	$ 405,717
Adjustments for:					
Depreciation and depletion	1,213,634	177,156	965,664	-	2,356,454
Bad debt	(2,734,759)	-	-	-	(2,734,759)
Stock-based compensation	344,521	-	-	-	344,521
Unrealized gain on financing warrants	(682,000)	-	-	-	(682,000)
Unrealized foreign exchange gain on related party credit facility	(238,058)	-	-	-	(238,058)
Accretion of loans payable discount	409,564	-	-	-	409,564
Asset retirement obligation accretion	119,449	282,039	-	-	401,488
Loss on Asset Retirement Obligation	-	404,818	-	-	404,818
Deferred income tax expense	(441,000)	626,000	256,000	-	441,000
Income attributable to reserve from common control	-	-	(1,698,556)	-	(1,698,556)
Funds generated from operations	(3,189,745)	2,836,432	-	(236,498)	(589,811)
Cash abandonment costs	(1,054,570)	(1,868,289)	-	236,498	(2,686,361)
Changes in non-cash working capital	13,919,747	3,189,192	-	(3,117,267)	13,991,672
Changes in deferred revenue	-	216,307	-	-	216,307
Changes in decommissioning contracts	-	1,463,471	-	-	1,463,471
Change in accrued interest payable	2,633,274	(33,125)	-	-	2,600,149
Net cash flows provided by (used in) operating activities	**12,308,706**	**5,803,988**	**-**	**(3,117,267)**	**14,995,427**
Cash flows from investing activities					
Capital expenditures for petroleum and natural gas properties	(10,508,918)	(609,229)	-	-	(11,118,147)
Capital expenditures for office furnishings and improvements	(2,513)	-	-	-	- (2,513)
Changes in non-cash working capital	(4,125,770)	-	-	-	(4,125,770)
Net cash flows used in investing activities	**(14,637,201)**	**(609,229)**	**-**	**-**	**(15,246,430)**
Cash flows from financing activities					
Repayment of loans payable	-	(778,091)	-	-	(778,091)
Changes in non-cash working capital	(1,318,813)	-	-	-	(1,318,813)
Advances to related parties	-	(3,117,267)	-	3,117,267	-
Net cash flows provided by (used in) financing activities	**(1,318,813)**	**(3,895,358)**	**-**	**3,117,267**	**(2,096,904)**
Net (decrease) increase in cash and cash equivalents	(3,647,308)	1,299,401	-	-	(2,347,907)
Cash and cash equivalents, beginning of period	5,230,011	3,045,369	-	-	8,275,380
Cash and cash equivalents, end of period	**$ 1,582,703**	**$ 4,344,770**	**$ -**	**$ -**	**$ 5,927,473**

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

Consolidated Statements of Cash Flow Nine months ended September 30, 2014	Rooster	Cochon	Well Services	Effect of Common Control Transaction	Consolidated
Cash and cash equivalents provided by (used in):					
Cash flows from operating activities					
Net income (loss)	$ (2,839,626)	$ 3,909,106	$ (1,689,528)	$ (361,766)	$ (981,814)
Adjustments for:					
Depreciation and depletion	3,853,200	368,943	2,864,447	-	7,086,590
Impairment recovery	(714,050)	-	-	-	(714,050)
Bad debt	(2,558,483)	-	-	-	(2,558,483)
Stock-based compensation	1,162,423	-	-	-	1,162,423
Unrealized gain on financing warrants	(395,000)	-	-	-	(395,000)
Unrealized foreign exchange (gain) on related party credit facility	(185,113)	-	-	-	(185,113)
Accretion of loans payable discount	2,440,507	-	-	-	2,440,507
Asset retirement obligation accretion	356,544	869,998	-	-	1,226,542
Loss on Asset Retirement Obligation	-	404,818	-	-	404,818
Deferred income tax recovery	(137,000)	-	-	-	(137,000)
Income attributable to reserve from common control	-	-	(1,174,919)	-	(1,174,919)
Funds generated from operations	983,402	5,552,865	-	(361,766)	6,174,501
Cash abandonment costs	(1,490,889)	(4,179,587)	-	361,766	(5,308,710)
Changes in non-cash working capital	11,859,742	(2,828,426)	-	(3,117,267)	5,914,049
Changes in deferred revenue	-	4,575,019	-	-	4,575,019
Changes in decommissioning contracts	-	3,774,769	-	-	3,774,769
Change in accrued interest payable	3,847,140	(72,301)	-	-	3,774,839
Net cash flows provided by (used in) operating activities	**15,199,395**	**6,822,339**	**-**	**(3,117,267)**	**18,904,467**
Cash flows from investing activities					
Capital expenditures for petroleum and natural gas properties	(13,054,342)	(2,258,501)	-	-	(15,312,843)
Capital expenditures for office furnishings and improvements	(19,426)	-	-	-	(19,426)
Changes in non-cash working capital	(6,688,151)	-	-	-	(6,688,151)
Net cash flows used in investing activities	**(19,761,919)**	**(2,258,501)**	**-**	**-**	**(22,020,420)**
Cash flows from financing activities					
Proceeds from loans payable	6,500,000	2,853,002	-	-	9,353,002
Repayment of loans payable	-	(778,091)	-	-	(778,091)
Changes in non-cash working capital	(1,318,813)	-	-	-	(1,318,813)
Advances to related parties	-	(7,117,267)	-	3,117,267	(4,000,000)
Net cash flows provided by (used in) financing activities	**5,181,187**	**(5,042,356)**	**-**	**3,117,267**	**3,256,098**
Net increase (decrease) in cash and cash equivalents	618,663	(478,518)	-	-	140,145
Cash and cash equivalents, beginning of period	964,040	4,823,288	-	-	5,787,328
Cash and cash equivalents, end of period	**1,582,703**	**4,344,770**	**-**	**-**	**5,927,473**

4. Financial instruments and risk management

(a) Fair value of financial instruments

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

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

The valuation of the Company's assets and liabilities measured on a recurring basis by the above fair value hierarchy at September 30, 2015 and December 31, 2014, are as follows:

	Total	Level 1	Level 2	Level 3
September 30, 2015				
Assets				
Cash and cash equivalents	$ 5,306,958	$ 5,306,958	$ -	$ -
Commodity contracts	$ 6,625,215	$ -	$ 6,625,215	$ -
Liabilities	$ -	$ -	$ -	$ -
December 31, 2014				
Assets				
Cash and cash equivalents	$ 137,670	$ 137,670	$ -	$ -
Commodity contracts	$ 7,169,970	$ -	$ 7,169,970	$ -
Liabilities				
Financing warrants	$ 1,000	$ -	$ 1,000	$ -

(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, 2015 and December 31, 2014 is as follows:

	September 30, 2015	December 31, 2014
Cash and cash equivalents	$ 5,306,958	$ 137,670
Restricted cash	3,804,155	3,804,155
Accounts receivable	17,430,672	12,739,540
Commodity contracts	6,625,215	7,169,970
Decommissioning contracts receivable	50,634,659	70,656,934
Note Receivable	4,201,944	4,104,712
Asset retirement deposits	1,654,645	1,654,645
	$ 89,658,248	$ 100,267,626

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, 2015 the Company had $3,804,155 (December 31, 2014: $3,804,155) in restricted cash representing cash collateral for performance bonds for specific well and facility abandonments that must be completed within the next 12 months (note 9).

Accounts receivable

All of the Company's operations are conducted in the United States. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and/or partner. Significant changes in industry conditions and risks that negatively impact customers' or partners' ability to generate cash flow will increase the risk of not collecting receivables. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

During the nine month period ended September 30, 2015, the Company sold a substantial portion of its petroleum and natural gas to three customers. Sales to those customers aggregated approximately $12.0 million or approximately 72% of total revenue (September 30, 2014: $30.6 million and 84%). At September 30, 2015, amounts due from those customers included in accounts receivable totalled approximately $1.5 million (September 30, 2014: $3.2 million).

During the nine month period ending September 30, 2015, the Company earned a substantial portion of Well Services revenue from one customer. Sales to this customer aggregated approximately $7.5 million or approximately 50% of total revenue (September 30, 2014: $15.7 million and 69%). At September 30, 2015, amounts due from this customer included in accounts receivable totalled approximately $2.3 million (September 30, 2014: $3.7 million).

The Company historically has not experienced any collection issues related to 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.

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

Management has evaluated receivables for collectability and as such, has recorded an allowance for doubtful accounts totalling $639,636 (December 31, 2014: $622,462). Bad debt expense for the three month period ended September 30, 2015 totalled $nil (September 30, 2014 recovery: $2,734,759), and for the nine month period ended September 30, 2015 totalled $17,174 (September 30, 2014 recovery: $2,558,483). Bad debt expense for 2015 and 2014 primarily relates to an allowance for non-payment of operating costs and capital expenditures by a joint operations partner. Refer to note 9 in the audited consolidated financial statements as at December 31, 2014 regarding the recovery of bad debt expenses for the nine month period ended September 30, 2014. The Company has reviewed its remaining past due accounts receivable balances and expects the accounts to be fully collectible.

As of September 30, 2015 and December 31, 2014, the Company's accounts receivable was comprised of the following:

	September 30, 2015	December 31, 2014
Petroleum and natural gas revenue	$ 2,567,426	$ 4,354,830
Services revenue	5,009,613	939,004
Decommissioning contracts revenues	5,534,873	4,327,838
Joint operation receivables	4,958,396	3,740,330
	18,070,308	13,362,002
Allowance for doubtful accounts	(639,636)	(622,462)
Total accounts receivable	$ 17,430,672	$ 12,739,540

As of September 30, 2015 and December 31, 2014, the Company's accounts receivables were aged as follows:

	September 30, 2015	December 31, 2014
Current (0 - 30 days)	$ 14,126,762	$ 8,580,290
31 to 60 days	1,570,778	4,037,845
61 to 90 days	939,395	19,940
Past due (greater than 90 days)	1,433,373	723,927
Allowance for doubtful accounts	(639,636)	(622,462)
Total accounts receivable	$ 17,430,672	$ 12,739,540

Commodity contracts

The Company is subject to credit risk associated with its commodity contracts should the counterparties default. The Company manages the credit risk exposure related to commodity contracts by selecting investment grade counterparties and by not entering into contracts for trading or speculative purposes.

Decommissioning contracts receivable (note 9)

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The Company entered into three plugging and abandonment contracts in which the Company assumed asset retirement obligations in exchange for fixed fees from the counterparty which will be paid to the Company as the plugging and abandonment work is completed. As a result, the Company is exposed to credit risk by the counterparty to pay future aggregate payments. Decommissioning activities that trigger these reimbursement payments will occur over several years. Failure of the counterparty to make any payment when due, or a material downgrade in their credit ratings, could have a material adverse effect on the Company and its financial condition. Management believes the counterparty is credit worthy and therefore there is virtual certainty that the reimbursement will occur. Under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, reimbursements are recognized up to the amount of the asset retirement obligation. The contract receivable is assessed for impairment at each reporting period.

Future acquisitions in the Gulf of Mexico with significant asset retirement obligations that are assumed by the Company based on the agreement of the counterparty to reimburse or otherwise compensate the Company upon satisfaction of all or part of the assumed obligations could further concentrate the Company's credit exposure.

Asset retirement deposits

Asset retirement deposits (note 9) consist of amounts deposited to secure a performance bond related to asset retirement obligations. 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, 2015 and December 31, 2014 are aged as follows:

	September 30, 2015	December 31, 2014
Current (0 - 30 days)	$ 15,805,600	$ 14,357,168
31 to 60 days	3,314,348	1,564,172
61 to 90 days	7,353	-
Greater than 90 days	9,970	991,400
Total accounts payable and accrued liabilities	$ 19,137,271	$ 16,912,740

The repayment terms relating to the Company's due to related parties are further discussed in note 16.

The Company is also subject to future commitments and contingencies as disclosed in note 15.

Refer also to note 4(h) on the Company's management of capital.

At September 30, 2015 and December 31, 2014, the Company had a working capital deficiency of $15,314,675 and $7,693,737, respectively, including outstanding loans payable amounts which are due within the current year. However, the Company's decommissioning contracts that are expected to generate cash flows exceeding the booked decommissioning contracts receivable by approximately $18,800,000 over the next twelve months.

Management believes that the Company's ongoing positive cash flows from operating activities, combined with its decommissioning backlog and its petroleum and natural gas derivative contracts, will be sufficient to fund its ongoing operations and capital expenditures program over the upcoming year. There is, however, no assurance that sufficient cash flows will be generated and, accordingly, there is uncertainty that may cast doubt upon the Company's ability to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of business.

(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. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

(e) Foreign currency risk

Prices received by the Company for petroleum and natural gas are generally denominated in US dollars. The Company has nominal working capital and other financial instruments amounts denominated in currencies other than US dollars other than the subordinated secured credit facility which is denominated in Canadian dollars ("CAD") (note 8(iii)), and had no forward exchange rate contracts in place as of or during the period ended September 30, 2015 or the year ended December 31, 2014. Shares of the Company are traded in Canadian dollars.

A 5% change in the US-CAD exchange rates would change the Company's net loss for the nine months ended September 30, 2015 by approximately $81,000, based on the outstanding balance of the subordinated secured credit facility and its related accrued interest payable at September 30, 2015.

(f) 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 is exposed to interest rate risk to the extent that changes in market interest rates impact floating rate borrowings. At September 30, 2015, the Senior Secured Notes (note 8(i)) bear interest at a floating interest rate and therefore are subject to interest rate risk. The Company had no interest rate swaps or financial contracts in place as of or during the nine months ended September 30, 2015 and 2014.

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For the three and nine months ended September 30, 2015, a 100 basis points change to the effective interest rate would change the Company's net income (loss) by approximately $91,000 and $274,000, respectively.

(g) Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Commodity prices for petroleum and natural gas are impacted by global economic events that dictate the levels of supply and demand. Natural gas prices are also influenced by US demand and the corresponding North American supply and, recently, by liquefied natural gas and shale gas prices. Petroleum prices are generally determined in global markets. Management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate.

The Company may economically hedge some petroleum and natural gas sales through the use of various financial derivative forward sales contracts and physical sales contracts when deemed appropriate. The Company does not apply hedge accounting for these contracts.

For derivative commodity contracts, the Company records unrealized gains and losses on these contracts on the balance sheet as assets or liabilities with changes in fair value recorded in the statement of loss. Realized gains and losses are determined based on the differential between the daily settlement price and the monthly fixed price and are recognized in loss as the contracts are settled.

All derivative commodity contracts are currently fixed price contracts with BP Energy Company. The following is a summary of all derivative commodity contracts that were in place as at September 30, 2015:

Reference Point	Volume	Term	Price
Crude Oil Contracts:			
Louisiana Light Sweet	250 bbl/d	Oct 1 2015 - 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	6,300 MMBtu/d	Oct 1 2015 - Feb 29, 2016	$3.81 / MMBtu
NYMEX Henry Hub	1,200 MMBtu/d	Oct 1 2015 - 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 $307,000 that will be realized over the period of five months from October, 2015 through February, 2016.

As at September 30, 2015, the net fair value of all derivative commodity contracts was $6,625,215 (December 31, 2014: $7,169,970). This resulted in an unrealized gain of $4,292,899 for the three months ended September 30, 2015 (2014: $nil) and an unrealized loss of $544,755 for the nine months ended September 30, 2015 (2014: $nil). The Company's risk management activities had a net realized gain of $1,912,583 for the three months ended September 30, 2015 (2014: $nil) and a net realized gain of $6,026,033 for the nine months ended September 30, 2015 (2014: $nil.)

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When assessing the potential impact of these commodity price changes, the Company believes a $1/bbl change to the price of oil and a $0.10/MMBtu change to the price of natural gas is a reasonable measure. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting net loss. A $1/bbl change to the price of oil would have an approximate $146,000 impact on the Company's net loss for the nine months ended September 30, 2015. A $0.10/ MMBtu change to the price of natural gas would have an approximate $213,000 impact on the Company's loss for the nine months ended September 30, 2015.

(h) Capital management

The Company's capital management policy is to maintain an adequate 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 maintains a flexible capital structure to maximize its ability to pursue petroleum and natural gas exploration opportunities and sustain the future development of the business. The Company monitors the level of risk associated for each capital project to balance the proportion of debt and equity in its capital structure. The Company's management is responsible for managing the Company's capital and does so through quarterly meetings and regular reviews of financial information. The Company's Board of Directors are responsible for overseeing this process. 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 surplus (deficiency) is as follows:

	September 30, 2015	December 31, 2014
Current assets	$ 61,581,337	$ 58,900,000
Current liabilities	(76,896,012)	(66,593,737)
Working capital deficiency	$ (15,314,675)	$ (7,693,737)

The Company is required to meet certain financial covenants relating to its loans payable as further discussed in note 8. 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 months ended September 30, 2015.

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

5. Exploration and evaluation assets and expenses

	September 30, 2015	December 31, 2014
Balance, beginning of period	$ 207,172	$ 186,152
Exploration and evaluation expenditures	-	207,172
Transfers to property and equipment (note 6)	-	(186,152)
Balance, end of period	$ 207,172	$ 207,172

Exploration and evaluation assets include undeveloped properties, seismic and other assets that management has not fully evaluated for technical feasibility and commercial viability. Capital expenditures represent the Company's share of costs incurred on exploration and evaluation assets during the period. Transfers to property and equipment, if any, represent successful drilling and related costs for which technical feasibility and commercial viability are determined to exist.

6. Property and equipment

Property and equipment consists of the following:

	Petroleum and natural gas interests	Machinery and equipment	Office furnishings and improvements	Total
Cost				
Balance at December 31, 2013	$ 146,914,740	$ 33,310,138	$ 732,468	$ 180,957,346
Additions	12,329,410	-	25,413	12,354,823
Asset acquisition	6,372,748	-	-	6,372,748
Transfers from exploration and evaluation assets (note 5)	186,152	-	-	186,152
Asset retirement obligations (note 9)	(847,754)	-	-	(847,754)
Balance at December 31, 2014	$ 164,955,296	$ 33,310,138	$ 757,881	$ 199,023,315
Additions	11,927,039	103,229	13,748	12,044,016
Grant of ORRI as part of debt refinancing (note 8(i))	(2,383,355)		-	(2,383,355)
Asset retirement obligations (note 9)	349,619	-	-	349,619
Balance at September 30, 2015	$ 174,848,599	$ 33,413,367	$ 771,629	$ 209,033,595

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

	Petroleum and natural gas interests	Machinery and equipment	Office furnishings and improvements	Total
Depletion, depreciation and impairment				
Balance at December 31, 2013	$ 46,138,147	$ 18,080,043	$ 531,969	$ 64,750,159
Depletion and depreciation	5,916,494	3,857,587	78,141	9,852,222
Impairment and asset retirement expense	17,637,343	-	-	17,637,343
Balance at December 31, 2014	$ 69,691,984	$ 21,937,630	$ 610,110	$ 92,239,724
Depletion and depreciation	2,582,537	2,456,040	52,902	5,091,479
Balance at September 30, 2015	$ 72,274,521	$ 24,393,670	$ 663,012	$ 97,331,203
Net book value				
December 31, 2014	$ 95,263,312	$ 11,372,508	$ 147,771	$ 106,783,591
September 30, 2015	$ 102,574,078	$ 9,019,697	$ 108,617	$ 111,702,392

The calculation of depletion and depreciation for the nine month period ended September 30, 2015 included estimated future development costs of $42,305,867 (December 31, 2014: $44,562,900) associated with the development of the Company's proved and probable reserves.

The Company has not capitalized any interest or general and administrative expenses during the nine months ended September 30, 2015 or the year ended December 31, 2014.

At each quarter end, the Company considers whether or not there are any indications of asset impairment or impairment recovery. If there are such indications, the Company tests its CGUs for impairment / recovery. The recoverable amount of each cash-generating unit is estimated based on fair value less costs of disposal. The estimate of fair value less costs of disposal is determined using forecasted proved plus probable before tax cash flows, discounted at 10%, using escalating forward pricing and net of future development costs, as obtained from an independently prepared reserve report at each year end, with the quarter ends being updated internally by management. In determining the appropriate discount rate, the Company considers acquisition metrics of recent transactions completed on assets similar to those in the specific CGU and an approximate cost of capital for potential acquirers of the Company or the Company's CGUs.

At September 30, 2015 management determined that there were no indications of impairment. Therefore no impairment testing was performed. During the nine month period ended September 30, 2014, the Company recognized a reversal of impairments for the Company's High Island Block 141 property totalling $714,050, as a result of a reduction in future development costs required to produce the lease.

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

7. Note Receivable

On March 12, 2014, the Company received a promissory note from a significant shareholder and director in the principal amount of $4 million, with interest at the rate of 3.25% per annum. Accrued interest receivable on the note totalled $201,944 at September 30, 2015 ($104,712 at December 31, 2014). The maturity on this promissory note is tied to the maturity of a note payable to this shareholder. The note will mature on June 25, 2019 (see Note 8(iv)).

8. Loans payable and warrants

Loans payable at September 30, 2015 and December 31, 2014 consisted of the following:

	September 30, 2015	December 31, 2014
Senior secured notes amended and restated June 25, 2015 for $60,000,000 (the "Senior Secured Notes") (i)	$ 56,127,167	$ 40,535,340
Subordinated notes payable dated April 26, 2012 for $6,463,000 ("Subordinated Note #1") (ii)	5,304,894	6,170,965
Subordinated secured credit facility dated October 11, 2013 for CAD $4,000,000 ("Subordinated Note #2") (iii)	1,949,173	2,962,015
Subordinated secured credit facility dated March 7, 2014 for $7,150,000 ("Subordinated Note #3")(iv)	5,561,744	6,781,741
Promissory note dated June 26, 2014 for $2,853,002, with interest at 2.5% per annum, with monthly payments of $262,650, and matures on May 25, 2015 (v)	-	1,296,819
Promissory notes dated June 25, 2015 for $4,881,364, with interest at 3.25% per annum, with monthly payments of $456,519, and mature on May 25, 2016 (v)	3,548,788	-
	$ 72,491,766	$ 57,746,880
Less: Short-term portion	(13,548,787)	(1,296,819)
Long-term portion	$ 58,942,979	$ 56,450,061

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

The loans payable at September 30, 2015 are scheduled to mature as follows:

Next 12 months	$ 13,548,787	
Next 13 - 24 months	20,000,000	
Next 26 - 36 months	30,000,000	
Next 37 - 48 months	16,599,400	(i)
Total	$ 80,148,187	

(i) assumes a future USD/CAD exchange rate of $0.75 for the CAD denominated credit facility

(i) Senior Secured Notes

On November 17, 2014, the Company, entered into a Note Purchase Agreement under which the Company issued Senior Secured Notes (the "Senior Secured Notes") due on the earlier of February 14, 2016 and the date that the Senior Secured Notes shall become due and payable in full in accordance with the agreement, whether by acceleration or otherwise, in the aggregate principal amount of $45 million. The Senior Secured Notes are secured by a first priority security interest, lien and mortgage on all of the Company's petroleum and natural gas and machinery and equipment assets and, without limitation, a pledge of equity in each of Rooster's subsidiaries. The Senior Secured Notes include an original issue discount of 2.5%, and bear interest at a rate equal to LIBOR + 11.5% per annum with interest payments due monthly; the minimum interest rate is 13.0% per annum. The holder of the Senior Secured Notes is not related to Rooster nor is the holder a chartered bank, trust company or treasury bank.

Total transaction costs, including loan origination fees, were approximately $5,255,000 which were netted against the principal amount of the Senior Secured Notes and are being accreted over the term of the Senior Secured Notes up to the principal amount on maturity using the effective interest rate of 22.5%, with $1,663,260 recorded as accretion for the period ended September 30, 2015.

Effective June 25, 2015, the Company and the holders of the Senior Secured Notes amended and restated the Note Purchase Agreement ("A&R NPA"). This A&R NPA increased the funding to $60 million and extended the maturity to a maximum date of June 25, 2018. Principal payments on the A&R NPA are the greater of a) minimum quarterly principal payments of $5 million starting in April 2016 and a final payment of $15 million on June 25, 2018, or b) a computed principal payment based on consolidated net cash flows. The interest rate on the A&R NPA remains unchanged.

The A&R NPA was accounted for as an extinguishment of the original financial liability for accounting purposes and resulted in a gain on modification of $1,461,700. The A&R NPA was remeasured at its fair value on the date of modification with an effective interest rate of 18%. The fair value of $55,736,900 was estimated using discounted cash flows, and the difference between the fair value and the carrying amount, prior to the modification, was allocated as a gain/loss on modification. The A&R NPA is being accreted over the term up to the principal amount on maturity, using the effective interest rate method, with $388,984 recorded as accretion for the period ended September 30, 2015.

Total transaction costs, including loan origination fees and the conveying of an overriding royalty interest ("ORRI") in all oil and gas properties of the Company, were approximately $4,263,100, of which the ORRI had a fair value of $2,383,355 which approximated the net book value of the property and equipment and is considered a non-cash transaction. These transaction costs were expensed as part of the gain on modification.

Effective November 17, 2014, the Company, Chet Morrison Contractors, LLC, and the Senior Secured Note holders entered into a subordination agreement that prohibits payment by the Company of accounts payable due to related parties (primarily Chet Morrison Contractors, LLC), in excess of $2,717,581. Combined with expenses incurred subsequent to November 17, 2014, the current portion of accounts payables due to related parties summed to $9,414,410 as of September 30, 2015.

In connection with the Senior Secured Notes, the Senior Secured Notes holder, the Company and each of the loans payable to related parties (see note 8 (ii), (iii) and (iv)), entered into intercreditor and subordination agreements dated November 17, 2014 that prohibit any payments on the related party indebtedness until the Senior Secured Notes are fully satisfied. Additionally, each of the loan or credit agreements between the Company and each related party was amended to extend the maturity date of each of those loans to one year after all obligations under the Senior Secured Notes are satisfied, being February 14, 2017. With the A&R NPA extending its maturity date to June 25, 2018, the maturity date on each of the subordinated loans was extended to June 25, 2019 under these subordination agreements.

The Company is required to meet certain reporting and financial covenants under the Note Purchase Agreement as follows:

- a minimum Consolidated Adjusted EBITDAX (consolidated net income plus consolidated interest expense, provision for income taxes, total depreciation and amortization expense, exploration expense, other non-cash items reducing consolidated net income, less the following: other non-cash items increasing consolidated net income, interest income, extraordinary or non-recurring gains and other extraordinary and non-recurring income) for the period of four consecutive fiscal quarters most recently ended, for each fiscal quarter beginning July 1, 2015;
- a proved developed producing ("PDP")) Asset Coverage Ratio (ratio as of the last day of any fiscal quarter of (a) the present value, discounted at 10%, of the Company's proved developed producing reserves to (b) the Consolidated Total Debt) each quarter, the first of which will have an effective date of December 31, 2015. Consolidated Total Debt is defined as the total of all consolidated indebtedness of the Company, less permitted subordinated debt (including all subordinated related party debt); and
- a Leverage Ratio (ratio as of the last day of any fiscal quarter of (a) the Consolidated Total Debt of the Company (defined above) to (b) the Consolidated Adjusted EBITDAX of the Company for the period of four consecutive fiscal quarters most recently ended, for each fiscal quarter beginning July 1, 2015.

At September 30, 2015, the Company was in compliance with all such covenants.

(ii) Subordinated Note #1

The subordinated note payable ("Subordinated Note #1") totalling $6,463,000 is due to a significant shareholder of the Company. As of September 30, 2015, this shareholder ceased to be a related party. Pursuant to an intercreditor subordination agreement with the Note holders, the principal amount of the note plus accrued interest was subordinated to the Senior Secured Notes (note 8(i)).

As a result of the intercreditor and subordination agreement with the Senior Secured Notes, as described in Note 8(i), the subordinated note payable maturity date was extended to February 14, 2017 and the interest rate increased from 14.5% to 15.5% per annum. The restructured subordinated note payable is being accreted over the term up to the principal amount on maturity, using the effective interest rate method with $63,500 recorded as accretion for the period ended September 30, 2015.

As a result of the A&R NPA as described in Note 8(i), the Subordinated Note #1 maturity date was extended to June 25, 2019 and the interest rate remained at 15.5% per annum. The modified Subordinated Note #1 was accounted for as an extinguishment for accounting purposes and resulted in a gain on modification of $980,882. The Subordinated Note #1 was re-measured at its fair value on the date of modification with an effective interest rate of 23%. The fair value of $5,253,583 was estimated using discounted cash flows, and the difference between the fair value and the carrying amount, prior to the modification, was allocated as a gain on modification.

The restructured Subordinated Note #1 is being accreted over the term up to the principal amount on maturity, using the effective interest rate method, with $51,312 recorded as accretion for the period ended September 30, 2015.

Refer to note 16 for the accrued interest payable balances at September 30, 2015 and December 31, 2014. Refer to note 12 for the interest and accretion expenses for the three and nine months ended September 30, 2015 and 2014.

(iii) Subordinated Note #2

On October 11, 2013, the Company entered into a subordinated secured credit facility ("Subordinated Note #2") with two related parties who are significant shareholders and/or directors of the Company that provides for borrowing up to CAD $8.0 million to be used for general corporate purposes. As of September 30, 2015, one of the noteholders, who funded 60% of the credit facility, ceased to be a related party. The initial advance was CAD $4.0 million (less a 2% original issue discount and administrative fees of $10,000) resulting in net proceeds of $3,234,466. In addition, the Company also paid a consent fee of $450,000. The credit facility is fully subordinated to the Senior Secured Notes (note 8(i)). Amounts drawn on the credit facility bear interest at 9% on all advances, and were repayable 181 days after the full satisfaction of the notes (note 8(vi)). The credit facility is secured only by the oil and gas properties and proceeds therefrom owned by Rooster Oil and Gas, LLC. No further amounts have been drawn on the credit facility as at or subsequent to September 30, 2015.

As a result of the intercreditor and subordination agreement as described in Note 8(i), the credit facility maturity date was extended to February 14, 2017 and the interest rate remained at 9% per annum. The restructured credit facility is being accreted over the term up to the principal amount on maturity, using the effective interest rate method with $119,643 recorded as accretion for the period ended September 30, 2015.

As a result of the A&R NPA as described in Note 8(i), the Subordinated Note #2 maturity date was extended to June 25, 2019 and the interest rate remained at 9% per annum. The modified Subordinated Note #2 was accounted for as an extinguishment for accounting purposes and resulted in a gain on modification of $787,137. The Subordinated Note #2 was re-measured at its fair value on the date of modification with an effective interest rate of 23%. The fair value of $2,041,003 was estimated using discounted cash flows, and the difference between the fair value and the carrying amount, prior to the modification, was allocated as a gain on modification. The restructured Subordinated Note #2 is being accreted over the term up to the principal amount on maturity, using the effective interest rate method, with $121,288 recorded as accretion for the period ended September 30, 2015.

Refer to note 16 for the accrued interest payable balances at September 30, 2015 and December 31, 2014. Refer to note 12 for the interest and accretion expenses for the three and nine months ended September 30, 2015 and 2014.

(iv) Subordinated Note #3

Effective March 7, 2014, the Company entered into an additional second lien credit facility ("Subordinated Note #3") with a related party who is a significant shareholder and director of the Company, for borrowing of up to $10 million. The initial advance was $4.4 million, before an original issue discount of 10%, for a funded amount equal to $4 million. During the year ended December 31, 2014, the Company drew an additional $2.75 million on the second lien credit facility, before an original issue discount of 10%, for a funded amount of $2.5 million. In addition, the Company paid a consent fee of $214,500. The second lien credit facility is fully subordinated to the Senior Secured Notes (note 8(i)). Amounts drawn on the credit facility bear interest at 14% per annum, and were repayable 181 days after the full satisfaction of the Notes. The credit facility is secured only by the oil and gas properties and proceeds therefrom owned by Rooster Oil and Gas, LLC.

As a result of the intercreditor and subordination agreement as described in Note 8(i), the second lien credit facility maturity date was extended to February 14, 2017 and the interest rate remained at 14%. The restructured second lien credit facility is being accreted over the term up to the principal amount on maturity, using the effective interest rate method with $119,803 recorded as accretion for the period ended September 30, 2015.

As a result of the A&R NPA as described in Note 8(i), the Subordinated Note #3 maturity date was extended to June 25, 2019 and the interest rate remained at 9% per annum. The modified Subordinated Note #3 was accounted for as an extinguishment for accounting purposes and resulted in a gain on modification of $1,410,161. The Subordinated Note #3 was re-measured at its fair value on the date of modification with an effective interest rate of 23%. The fair value of $5,491,383 was estimated using discounted cash flows, and the difference between the fair value and the carrying amount, prior to the modification, was allocated as a gain on modification. The restructured Subordinated Note #3 is being accreted over the term up to the principal amount on maturity, using the effective interest rate method, with $70,361 recorded as accretion for the period ended September 30, 2015

Refer to note 16 for the accrued interest payable balances at September 30, 2015 and December 31, 2014. Refer to note 12 for the interest and accretion expenses for the three and nine months ended September 30, 2015 and 2014.

(v) Promissory Note(s)

On June 26, 2014, the Company executed a promissory note with a bank to finance insurance premiums in the amount of $2,853,002. The promissory note bears interest at 2.5% per annum, requires monthly payments of $262,650 and matures on May 25, 2015. The promissory note is secured by certain petroleum and natural gas properties. This note was repaid in full on May 25, 2015.

In June 2015, the Company executed three (3) promissory notes with a bank to finance a portion of its insurance premiums in the aggregate amount of $4,881,364. All three promissory notes bear interest at 3.25% per annum, require monthly payments totalling $456,519 and mature in May 2016. The promissory notes are secured by the unearned premiums of the insurance policies being financed.

Refer to note 12 for the interest expenses for the three and nine months ended September 30, 2015 and 2014.

(vi) Warrants:

On October 22, 2012 the Company issued warrants to holders of certain senior secured notes of the same date. These warrants were exercisable for up to 9 million common shares of the Company at an exercise price of US$1.00 per share until October 22, 2017. Effective November 17, 2014, when the related senior secured notes were paid in full, the warrant holders received an additional 4,429,813 warrants for a total of 13,429,813 warrants outstanding. The exercise price was adjusted for all warrants to US$0.67 per warrant. No warrants have been exercised as at September 30, 2015.

Due to the warrants' conversion terms, the warrants meet the definition of a derivative instrument and are classified as a liability for accounting purposes. The warrants are measured at fair value at each balance sheet date using a Level 2 fair value hierarchy.

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

	September 30, 2015	December 31, 2014
Risk-free interest rate	1.78%	1.78%
Expected life (years)	2.31	2.81
Expected volatility	50.0%	50.0%
Expected annual dividend yield	0.00%	0.00%
Stock price	$0.04	$0.06
Exercise price	$0.67	$0.67
Fair value per warrant	$0.00	$0.00

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

Financing warrants	Quantity		Amount
Balance, December 31, 2013	9,000,000	$	1,092,000
Additional warrants issued	4,429,813		-
Unrealized gain on revaluation	-		(1,091,000)
Balance December 31, 2014	13,429,813		1,000
Unrealized gain on revaluation	-		(1,000)
Balance September 30, 2015	13,429,813	$	-

9. Asset retirement obligations and deposits

Asset retirement obligations were determined by management and were 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.

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The following table summarizes changes in the asset retirement obligations for the nine month period ended September 30, 2015 and the year ended December 31, 2014:

	September 30, 2015	December 31, 2014
Asset retirement obligations, beginning of period	$ 89,444,429	$ 96,928,230
Liabilities incurred	-	84,654
Liabilities settled	(11,445,465)	(9,817,401)
Revisions to estimates	(6,965,142)	(932,408)
(Gain) Loss on asset retirement obligations	(3,786,673)	1,581,132
Accretion (unwinding of discount)	1,045,730	1,600,222
Asset retirement obligations, end of period	$ 68,292,879	$ 89,444,429
Less: Short-term portion	(30,923,018)	(36,330,069)
Long-term portion	$ 37,369,861	$ 53,114,360

The Company has the ability to utilize its own well services business unit to abandon a portion of its asset retirement obligations. The estimated inflated undiscounted cash flows required to settle the provisions at September 30, 2015 are approximately $73.6 million (December 31, 2014: $100.4 million), which has been discounted using risk-free rates ranging from 1.5% to 2.55% (2014: 1.50% to 2.55%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 30 years into the future and will be funded from general corporate resources as well as from the decommissioning contracts receivable (see below) at the time of abandonment.

The downward revisions of $6.9 million to the asset retirement obligations for the nine month period ended September 30, 2015 were primarily to reflect current market pricing for abandonment services in the Gulf of Mexico.

At September 30, 2015 and December 31, 2014, the Company had a $5,458,800 cash deposit held as security by the surety of the supplemental bonds that are required by the Bureau of Ocean Energy Management (BOEM) on the ARO for properties owned by Rooster Petroleum, LLC and Probe Resources US Ltd. prior to April 30, 2012. These funds are restricted for use in meeting Probe Resources US Ltd.'s asset retirement obligations 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, $3,804,155 of the deposit has been classified as short-term and included in restricted cash as at September 30, 2015 and December 31, 2014 (note 4(b)).

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Decommissioning contracts receivable

The Company entered into three plugging and abandonment contracts (the "decommissioning contracts") in which the Company assumed asset retirement obligations in exchange for fixed fees from the counterparty aggregating approximately $126.4 million which will be paid to the Company as the plugging and abandonment work is completed. Of the total asset retirement obligations of the Company at September 30, 2015, the estimated inflated undiscounted cash flows required to settle the decommissioning contracts are approximately $55.7 million (December 31, 2014: $75.9 million), which has been discounted using a risk-free rate of 1.50% (2014: 1.50%), with a corresponding reimbursement recorded as decommissioning contracts receivable at the time the contracts were entered into. Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, reimbursements are recognized up to the amount of the asset retirement obligations. Decommissioning activities that trigger the reimbursement payments will occur over several years and will be funded from the decommissioning contracts receivable. Any payments that exceed actual costs of abandonment are recorded as decommissioning contracts revenue on the statement of loss.

As part of the terms of the decommissioning contracts, the counterparty made payments totaling $nil in 2015 (2014: $6,996,950) to the Company which were not based on decommissioning activities being performed. These amounts have been recorded as deferred revenue and are being amortized as decommissioning revenue as abandonment work is performed on a percentage of completion. Of the total deferred revenue received by the Company at September 30, 2015, $10,305,500 remained to be amortized.

Of the total fixed fees of the decommissioning contracts of $126.4 million, approximately $48.0 million has been paid to the Company by the counterparty and an additional $2.7 million has been invoiced to the counterparty through September 30, 2015. The remaining amount to be collected of $75.8 million, less the estimated future abandonment costs to be incurred of $52.3 million, is approximately $23.5 million, which represents the approximate future decommissioning contracts revenue to be earned from the decommissioning contracts subsequent to September 30, 2015. The Company expects to receive $43.4 million of the $75.8 million in the next twelve months.

10. Prepaid expenses

Prepaid expenses consist of the following:

	September 30, 2015	December 31, 2014
Prepaid insurance	$ 5,043,264	$ 3,882,063
Prepaid bonds	267,501	298,164
Prepaid inventory	427,489	415,823
Prepaid inspections	82,680	-
Prepaid other	402,886	440,887
Total prepaid expenses	$ 6,223,820	$ 5,036,937

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11. Share capital

Authorized

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

Common and proportionate voting shares issued

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

Shares issued and outstanding	No. of Shares	Stated Value
Common shares		
Outstanding, December 31, 2014 and September 30, 2015	259,028,502	$ 92,949,630
Proportionate voting shares		
Outstanding, December 31, 2014 and September 30, 2015	65,071	$ 29,162,552
Total share capital stated value		
December 31, 2014 and September 30, 2015		$ 122,112,182

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.

Stock Options

The Company has a stock option plan in compliance with the TSX's policy for granting stock options. Under the Plan, the number of shares reserved for issuance of options may not exceed 21,396,510 shares. Fully dilutive shares means the computed common shares assuming all Proportionate voting shares were converted to common shares. At September 30, 2015 there remained available for future issuance 2,357,320 stock options. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The vesting term of options under the Plan is determined by the Company's Board of Directors. The maximum exercise period of options granted under the Plan is ten years following the grant date.

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The changes in stock options were as follows:

	September 30, 2015		December 31, 2014	
	Number of options	Weighted avg exercise price	Number of options	Weighted avg exercise price
Balance, beginning of period	9,193,404	CAD $0.66	9,293,404	CAD $0.66
Options granted	10,545,963	CAD $0.14	300,000	CAD $0.61
Options forfeited	(700,177)	CAD $0.66	(400,000)	CAD $0.52
Balance, end of period	19,039,190	CAD $0.37	9,193,404	CAD $0.66

The following table summarizes the outstanding and exercisable options as at September 30, 2015:

Grant Date	Number Outstanding	Remaining Contractual Life	Exercise Price	Expiry Date	Number Exercisable
Jun. 05, 2012	4,035,468	6.75 years	CAD $0.50	Jun. 05, 2022	4,035,468
Sep. 11, 2013	4,157,759	8.00 years	CAD $0.82	Sep. 11, 2023	1,419,253
May 16, 2014	300,000	8.75 years	CAD $0.61	May 16, 2024	100,000
Mar. 02, 2015	300,000	9.50 years	CAD $0.07	Mar. 02, 2025	-
May 06, 2015	10,245,963	9.50 years	CAD $0.14	May 06, 2025	10,245,963
	19,039,190				15,800,684

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model. The following weighted average assumptions were used for options granted during this period:

During the nine month period ended September 30, 2015, $1,282,047, was recorded as stock-based compensation (2014: $1,162,423), with a corresponding increase in contributed surplus.

Option awards (in CAD$)	May 6, 2015	March 2, 2015	May 16, 2014
Assumptions:			
Share price, date of grant	CAD $0.14	CAD $0.07	CAD $0.61
Exercise price	CAD $0.14	CAD $0.07	CAD $0.61
Risk free interest rate (%)	2%	2%	2%
Expected life (years)	10	10	10
Expected volatility (%)	50%	50%	50%
Estimated forfeiture rate (%)	5%	5%	5%
Expected dividend yield	-	-	-
Fair value of options granted	$0.07	$0.04	$0.37

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12. Finance expenses

Finance expenses consist of the following:

	Notes	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Interest expense on senior secured notes	8(i)	**$ 1,950,000**	$ -	**$ 4,954,031**	$ -
Interest expense on former settled senior secured notes		**-**	3,060,000	**-**	5,096,250
Interest expense on subordinated note #1	8(ii)	**256,007**	239,491	**752,773**	710,663
Interest expense on subordinated note #2	8(iii)	**69,347**	82,632	**214,761**	246,729
Interest expense on subordinated note #3	8(iv)	**252,307**	274,899	**748,693**	519,747
Interest expense on promissory note	8(v)	**36,979**	-	**57,312**	-
Accretion of discount on senior secured notes	8(i)	**369,536**	-	**2,052,244**	-
Accretion of discount on former settled senior secured notes		**-**	-	**-**	1,493,288
Accretion of discount on subordinated note #1	8(ii)	**48,237**	-	**114,811**	-
Accretion of discount on subordinated note #2	8(iii)	**113,537**	218,415	**238,837**	388,295
Accretion of discount on subordinated note #3	8(iv)	**66,145**	191,149	**190,164**	558,924
Unrealized foreign exchange		**-**	-		
loss (gain) on subordinated note #2	8(iii)	**(245,616)**	(238,058)	**(499,134)**	(185,113)
Gain on modification of debts	8	**-**	-	**(376,780)**	-
Other		**(823)**	166,496	**31,276**	160,109
Accretion of asset retirement obligations	9	**396,214**	401,489	**1,045,730**	1,226,542
Total finance expenses		**3,311,870**	4,396,513	**9,524,718**	10,215,434
Interest income		**(32,767)**	(32,767)	**(97,233)**	(71,944)
Total finance expenses, net		**$ 3,279,103**	$ 4,363,746	**$ 9,427,485**	$ 10,143,490

13. Loss per share

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

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Weighted average common shares outstanding, diluted	324,099,502	324,099,502	324,099,502	324,099,502
Effect of stock options and warrants	-	-	-	-
Weighted average common shares outstanding, diluted	324,099,502	324,099,502	324,099,502	324,099,502

Basic loss per share figures for the three and nine month periods ended September 30, 2015 and 2014 have been calculated using the weighted average number of common shares 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 three and nine months ended September 30, 2014 have been adjusted to reflect the equivalent number of shares issued in the Transaction (notes 1 and 3). All outstanding options and warrants were excluded from the calculation of diluted gain per share for the three month periods ended September 30, 2015 and 2014, as the potential effect of the issuance of shares under the stock option plan was not dilutive. Therefore the impact was not considered in the calculation of diluted weighted average number of common shares. All outstanding options and warrants were excluded from the calculation of diluted loss per share for the nine month periods ended September 30, 2015 and 2014, as they were anti-dilutive.

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14. Supplemental cash flow information

Changes in non-cash working capital, excluding non-cash changes for the increase in restricted cash, comprise the following:

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Sources (uses) of cash:				
Restricted cash	$ -	$ 3,599,426	$ -	$ 2,158,635
Accounts receivable	(1,766,783)	8,127,950	(4,708,306)	(2,072,365)
Prepaid expenses	1,655,281	(2,474,395)	(1,186,883)	(4,508,659)
Asset retirement deposits	-	-	-	-
Accounts payable and accrued liabilities	1,935,055	(1,678,037)	2,224,529	1,127,778
Current portion of due to related parties	1,289,941	972,145	2,778,649	1,201,696
Changes in non-cash working capital	$ 3,113,494	$ 8,547,089	$ (892,011)	$ (2,092,915)
Related to operating activities	$ 1,051,145	$ 13,991,672	$ (2,778,935)	$ 5,914,049
Related to investing activities	2,062,349	(4,125,770)	1,886,924	(6,688,151)
Related to financing activities	-	(1,318,813)	-	(1,318,813)
	$ 3,113,494	$ 8,547,089	$ (892,011)	$ (2,092,915)

At September 30, 2015 and December 31, 2014, all of the Company's cash and cash equivalents were comprised of cash on deposit.

(a) Interest and income taxes paid

Interest payments during the three and nine month periods ended September 30, 2015 totalled $1,986,979 (2014: $1,023,750) and $5,043,442 (2014: $2,388,750), respectively.

The Company has not paid any income taxes during the nine months ended September 30, 2015 or the year ended December 31, 2014.

15. Commitments and contingencies

There were no changes to the commitments during the nine months ended September 30, 2015 as compared to those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2014.

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

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. Accordingly, no amounts have been accrued in the September 30, 2015 condensed interim consolidated financial statements relating to these actions.

16. Other 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.

Balances due to (from) related parties	Notes	September 30, 2015	December 31, 2014
Due to related parties [1]		$ 13,085,763	$ 10,578,872
Subordinated note payable #1 [2]	8(ii)	-	6,170,965
Accrued interest payable on Subordinated note #1 [2]	8(ii)	-	2,224,781
Subordinated note payable #2 [3]	8(iii)	779,669	2,962,015
Accrued interest payable on Subordinated note #2 [3]	8(iii)	213,136	355,412
Subordinated note payable #3	8(iv)	5,561,744	6,781,741
Accrued interest payable on Subordinated note #3	8(iv)	1,473,759	734,739
Note receivable due from Subordinated	7	(4,201,944)	(4,104,712)

(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 (note 8(i)). The amounts are unsecured, non-interest bearing, and have no fixed terms of repayment.

(2) The subordinated note #1 is due to a significant shareholder of the Company. As of September 30, 2015, this shareholder ceased to be a related party.

(3) Sixty percent of he subordinated note #2 is due to a significant shareholder of the Company. As of September 30, 2015, this shareholder ceased to be a related party.

Purchases from related parties during the three and nine month periods ended September 30, 2015, totalling $726,743 (2014: $2,099,513) and $1,826,825 (2014: $6,279,594), respectively, were considered by management to be in the normal course of business and transacted on terms equivalent to those that would have prevailed in an arm's length transaction.

Related party interest expense and income are detailed in note 12. Additional related party transactions relating to the Company's related party loans payable are outlined in note 8.

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

17. Segment information

The Company is a petroleum and natural gas and exploration company with an integrated down-hole and subsea plugging and abandonment service business. As at September 30, 2015 and 2014, the Company has two reportable segments: petroleum and natural gas, and well services. The Company's operations are located in the shallow waters off the southern coast of Louisiana and Texas. Management monitors the operating results of each segment separately for the purpose of making decisions about resource allocation and performance assessment. The Corporate segment does not represent an operating segment and is included for informational purposes only. Corporate segment expenses consist of public company costs as well as salaries, stock-based compensation and office and administrative costs relating to corporate employees.

Segmented income (loss) and capital expenditures for the nine months ended September 30, 2015:

Nine months ended September 30, 2015	Petroleum and natural gas	Well Services	Corporate allocations	Intercompany eliminations	Consolidated
Revenue					
Petroleum and natural gas	$ 16,813,936	$ -	$ -	$ -	$ 16,813,936
Production handling	147,213	-	-	-	147,213
Well services	-	21,196,569	-	(6,170,047)	15,026,522
Decommissioning contracts	-	6,583,446	-	-	6,583,446
Revenue before the following	16,961,149	27,780,015	-	(6,170,047)	38,571,117
Realized gain on commodity contracts	6,026,033	-	-	-	6,026,033
Unrealized (loss) on commodity contracts	(544,755)	-	-	-	(544,755)
Total revenue	22,442,427	27,780,015	-	(6,170,047)	44,052,395
Expenses					
Lease operating	16,258,833	-	-	(69,199)	16,189,634
Cost of well services	-	13,524,132	-	(4,245,524)	9,278,608
Depreciation and depletion	2,582,537	2,456,040	52,902	-	5,091,479
Repairs and maintenance	-	815,270	-	-	815,270
General and administrative	3,363,333	3,971,378	2,022,082	-	9,356,793
Bad debt	17,174	-	-	-	17,174
Stock-based compensation	314,510	-	967,537	-	1,282,047
Total expenses	22,536,387	20,766,820	3,042,521	(4,314,723)	42,031,005
Operating income (loss)	(93,960)	7,013,195	(3,042,521)	(1,855,324)	2,021,390
Gain (loss) on asset retirement obligation	(120,700)	3,907,373	-	-	3,786,673
Unrealized gain on financing warrants	1,000	-	-	-	1,000
Finance expenses	(9,427,485)	-	-	-	(9,427,485)
Income (loss) before income taxes	$ (9,641,145)	$ 10,920,568	$ (3,042,521)	$ (1,855,324)	$ (3,618,422)
Capital Expenditures	$ 11,927,039	$ 103,229	$ 13,748	$ -	$ 12,044,016

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

Segmented income (loss) and capital expenditures for the three months ended September 30, 2015:

Three months ended September 30, 2015	Petroleum and natural gas	Well Services	Corporate allocations	Intercompany eliminations	Consolidated
Revenue					
Petroleum and natural gas	$ 4,253,633	$ -	$ -	$ -	$ 4,253,633
Production handling	59,402	-	-	-	59,402
Well services	-	8,817,614	-	(1,102,909)	7,714,705
Decommissioning contracts	-	2,246,810	-	(1,526,989)	719,821
Revenue before the following	4,313,035	11,064,424	-	(2,629,898)	12,747,561
Realized gain on commodity contracts	1,912,583	-	-	-	1,912,583
Unrealized gain on commodity contracts	4,292,899	-	-	-	4,292,899
Total revenue	10,518,517	11,064,424	-	(2,629,898)	18,953,043
Expenses					
Lease operating	4,663,179	-	-	(69,199)	4,593,980
Cost of well services	-	5,205,527	-	(1,168,788)	4,036,739
Depreciation and depletion	607,424	741,940	16,347	-	1,365,711
Repairs and maintenance	-	287,241	-	-	287,241
General and administrative	1,010,725	1,349,870	677,697	-	3,038,292
Bad debt	-	-	-	-	-
Stock-based compensation	34,979	-	126,039	-	161,018
Total expenses	6,316,307	7,584,578	820,083	(1,237,987)	13,482,981
Operating income (loss)	4,202,210	3,479,846	(820,083)	(1,391,911)	5,470,062
Gain (loss) on asset retirement obligation	(120,700)	548,274	-	-	427,574
Finance expenses	(3,279,103)	-	-	-	(3,279,103)
Income (loss) before income taxes	$ 802,407	$ 4,028,120	$ (820,083)	$ (1,391,911)	$ 2,618,533
Capital Expenditures	$ 8,246,620	$ 4,134	$ -	$ -	$ 8,250,754

Segmented assets and liabilities as at September 30, 2015

As at September 30, 2015	Petroleum and natural gas	Well Services	Corporate allocations	Intercompany eliminations	Consolidated
Current assets	$ 69,418,128	$ 14,488,598	$ -	$ (22,325,389)	$ 61,581,337
Decommissioning contracts receivable	26,071,635	-	-	-	26,071,635
Exploration and evaluation assets	207,172	-	-	-	207,172
Property and equipment	102,574,078	9,019,697	108,617	-	111,702,392
Note receivable	-	-	4,201,944	-	4,201,944
Asset retirement deposits	1,654,645	-	-	-	1,654,645
Total assets	211,151,937	23,508,295	4,310,561	(25,614,161)	213,356,632
Current liabilities	77,562,632	12,584,151	-	(13,250,771)	76,896,012
Total liabilities	197,161,523	12,584,151	-	(13,250,771)	196,494,903

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

Segmented income (loss) and capital expenditures for the nine months ended September 30, 2014:

Nine months ended September 30, 2014	Petroleum and natural gas	Well Services	Corporate allocations	Intercompany eliminations	Consolidated
Revenue					
Petroleum and natural gas	$ 36,551,630	$ -	$ -	$ -	$ 36,551,630
Production handling	1,144,088	-	-	-	1,144,088
Well services	-	27,670,176	-	(4,841,517)	22,828,659
Decommissioning contracts	-	4,192,061	-	1,267,087	5,459,148
Revenue before the following	37,695,718	31,862,237	-	(3,574,430)	65,983,525
Realized gain (loss) on commodity contracts	-	-	-	-	-
Unrealized gain (loss) on commodity contracts	-	-	-	-	-
Total revenue	37,695,718	31,862,237	-	(3,574,430)	65,983,525
Expenses					
Lease operating	23,454,787	-	-	-	23,454,787
Cost of well services	-	18,182,854	-	(3,212,664)	14,970,190
Depreciation and depletion	4,163,555	2,864,447	58,588	-	7,086,590
Repairs and maintenance	-	1,291,595	-	-	1,291,595
General and administrative	4,293,897	5,070,175	2,581,550	-	11,945,622
Bad debt	(2,558,483)	-	-	-	(2,558,483)
Transaction Expenses	310,357	-	-	-	310,357
Stock-based compensation	285,164	-	877,259	-	1,162,423
Impairment expense (recovery), net	(714,050)	-	-	-	(714,050)
Total expenses	29,235,227	27,409,071	3,517,397	(3,212,664)	56,949,031
Operating income (loss)	8,460,491	4,453,166	(3,517,397)	(361,766)	9,034,494
Loss on asset retirement obligation	(404,818)	-	-	-	(404,818)
Unrealized gain on financial derivative	395,000	-	-	-	395,000
Finance expenses	(10,143,490)	-	-	-	(10,143,490)
Income (loss) before income taxes	$ (1,692,817)	$ 4,453,166	$ (3,517,397)	$ (361,766)	$ (1,118,814)
Capital Expenditures	$ 15,312,843	$ -	$ 19,426	$ -	$ 15,332,269

(unaudited - all tabular amounts are in US dollars, unless otherwise stated)

Segmented income (loss) and capital expenditures for the three months ended September 30, 2014:

Three months ended September 30, 2014	Petroleum and natural gas	Well Services	Corporate allocations	Intercompany eliminations	Consolidated
Revenue					
Petroleum and natural gas	$ 12,373,069	$ -	$ -	$ -	$ 12,373,069
Production handling	163,881	-	-	-	163,881
Well services	-	12,345,495	-	(2,616,600)	9,728,895
Decommissioning contracts	-	1,136,621	-	480,963	1,617,584
Revenue before the following	12,536,950	13,482,116	-	(2,135,637)	23,883,429
Realized gain (loss) on commodity contracts	-	-	-	-	-
Unrealized gain (loss) on commodity contracts	-	-	-	-	-
Total revenue	12,536,950	13,482,116	-	(2,135,637)	23,883,429
Expenses					
Lease operating	8,229,623	-	-	-	8,229,623
Cost of well services	-	7,981,045	-	(1,899,139)	6,081,906
Depreciation and depletion	1,370,036	965,664	20,754	-	2,356,454
Repairs and maintenance	-	469,537	-	-	469,537
General and administrative	1,894,626	1,794,032	203,851	-	3,892,509
Bad debt	(2,734,759)	-	-	-	(2,734,759)
Transaction Expenses	310,357	-	-	-	310,357
Stock-based compensation	(33,818)	-	378,339	-	344,521
Total expenses	9,036,065	11,210,278	602,944	(1,899,139)	18,950,148
Operating income (loss)	3,500,885	2,271,838	(602,944)	(236,498)	4,933,281
Loss on asset retirement obligation	(404,818)	-	-	-	(404,818)
Unrealized gain on financial derivative	682,000	-	-	-	682,000
Finance expenses	(4,363,746)	-	-	-	(4,363,746)
Income (loss) before income taxes	$ (585,679)	$ 2,271,838	$ (602,944)	$ (236,498)	$ 846,717
Capital Expenditures	$ 11,118,147	$ -	$ 2,513	$ -	$ 11,120,660

Segmented assets and liabilities as at September 30, 2014:

As at September 30, 2014	Petroleum and natural gas	Well Services	Corporate allocations	Intercompany eliminations	Consolidated
Current assets	$ 60,321,963	$ 1,556,856	$ -	$ -	$ 61,878,819
Decommissioning contract receivable	46,736,866	-	-	-	46,736,866
Property and equipment	112,235,003	12,365,648	161,337	-	124,761,988
Note receivable	3,117,267	-	-	(3,117,267)	-
Asset retirement deposits	300,000	-	-	-	300,000
Total assets	222,872,436	13,922,504	-	(3,117,267)	233,677,673
Current liabilities	123,436,886	1,556,856	-	(2,663,600)	122,330,142
Total liabilities	195,717,937	1,556,856	-	(2,663,600)	194,611,193