ROOSTER ENERGY LTD.

Management Discussion and Analysis
December 31, 2016

This management discussion and analysis (MD&A) of Rooster Energy Ltd. ("Rooster" or, the "Company") reflects its December 31, 2016 financial results and operations as well as all material developments following December 31, 2016 to April 28, 2017, the date this MD&A was approved by the Board of Directors of the Company. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes at and for the year ended December 31, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standards Board (IASB). All dollar amounts are stated in United States of America dollars, unless otherwise noted.

Overview

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

Our common stock trades on the TSX Venture Exchange under the ticker symbol "COQ". The terms "the Company", "we", "us", "our" and similar terms, when used in the present tense, prospectively or for historical periods since April 30, 2012 refer to Rooster and its wholly owned subsidiaries, and for historical periods prior to May 1, 2012 refer to Rooster Energy, LLC, and its wholly owned subsidiaries during that time period, Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC, unless the context indicates otherwise.

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

Oil & Gas Production Segment

Finding and economically developing oil and natural gas reserves is critical to our financial success. Key drivers of performance in the business for the Company are the: (i) ability to successfully discover, develop, and exploit commercial oil and natural gas reserves on our properties; and (ii) the ability to optimize profitability from the operation of our properties. Further, our ability to successfully discover, develop, and exploit properties is a function of, among other things: (i) our ability, or the ability of our partners that operate wells in which the Company is a non-operating interest owner, to obtain and retain drilling rigs, personnel and supplies to carry out drilling and other operations in a safe and cost effective manner; (ii) the ultimate results of such drilling or other operations; (iii) the availability, on commercially reasonable terms, of transportation, storage, handling, processing and other facilities to service producing wells; and (iv) our ability to finance the costs of such operations. Our ability to optimize profitability from the operation of producing properties is a function of, among other things: (i) lease operating expenses, which may be beyond our control, particularly on wells operated by third parties; (ii) volumes of oil and natural gas produced; and (iii) prevailing prices for oil and natural gas.

At December, 31, 2016, our oil & gas production segment consisted of 15 gross wells capable of producing. We have six primary term leases and the remaining leases that we have interest in are held by production. We believe that the quality of our properties and our field acquisition strategy reduces our development risk and promotes operating efficiencies.

Oil & Gas Reserves

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

	Net Reserves				Future Cash Flow (Pre-Tax)	
	Crude Oil MBbls	Cond/NGLs MBbls	Natural Gas MMcf	Total MBoe	Undiscounted ($000s)	NPV-10% ($000s)
Proved Developed Producing	24.2	393.6	13,399.4	2,651.0	28,718.8	22,838.9
Proved Developed Non-Producing	30.4	14.2	409.2	112.8	1,653.6	1,291.7
Proved Undeveloped	0.0	158.3	2,168.8	519.8	1,231.0	855.9
Total Proved	**54.6**	**566.1**	**15,977.4**	**3,283.6**	**31,603.4**	**24,986.5**
Probable	80.9	2,583.9	36,889.0	8,813.0	141,406.9	101,918.1
Total Proved + Probable	**135.5**	**3,150.0**	**52,866.4**	**12,096.6**	**173,010.3**	**126,904.6**

In 2016, Rooster's proved & probable reserves fell 28%, or 4.7 million barrels of oil equivalent (MMBOE), to 12.1 MMBOE at December 31, 2016, primarily due to negative revisions associated with the High Island A494, Vermilion 67, and Eugene Island 44 fields. At December

31, 2016, the pre-tax NPV-10% value of Rooster's proved & probable reserves totaled $126.9 million. For the quarter ended December 31, 2016 (Q4 2016), the Company's production averaged 1,627 barrels of oil equivalent per day (BOEPD).

Well Services Segment

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

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

The following tables present the Company's financial information by segment as of December 31, 2016 and 2015, and the respective years then ended.

See note 21 to the audited consolidated financial statements for the period ended December 31, 2016, for segment information pertaining to the Oil & Gas and Well Services segments.

Non-IFRS Measures

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

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

Selected Annual Information

The following financial and operating data are selected information for the Company for the three (3) most recently completed financial years, reflecting the results of operations of the Company for the years ended December 31, 2016, 2015, and 2014. These results are the combination of the entity financial statements of Rooster, the entity financial statements of Cochon and the carved-out financial information of Well Services:

	For the years ended December 31,		
	2016	2015	2014
Financial			
Total revenue	$ 33,325,288	$ 67,459,817	$ 94,377,019
Operating income (loss)	(56,296,791)	(19,059,573)	214,366
Gain (loss) on a settlement of asset retirement obligations	4,690,995	4,815,928	(1,581,132)
Unrealized gain on financing warrants	-	1,000	1,091,000
Finance expense	(19,751,671)	(12,746,628)	(12,155,600)
Deferred income tax recovery	(102,000)	(7,804,000)	(2,692,000)
Net loss	(71,255,468)	(19,185,274)	(9,739,366)
Net loss per share			
Basic	($0.22)	($0.06)	(0.03)
Diluted	($0.22)	($0.06)	(0.06)
Total assets	84,371,883	174,632,117	217,860,326
Total long-term financial liabilities	45,527,995	96,087,160	131,386,485
Cash dividends per share	-	-	-

Review of Fourth Quarter Ended December 31, 2016 (Q4 2016)

At December 31, 2016, the Company's interests in oil and natural gas leases consisted of ownership in 13 oil and gas leases or blocks, all of which are located in the shallow waters of the Gulf of Mexico. In Q4 2016, the Company produced 149,690 BOE, compared to 205,010 BOE produced in Q4 2015, a 27% decrease. The lower sales volumes, combined with a significant drop in the gain associated with the Company's derivative contracts, resulted in a 66% drop in Oil & Gas segment revenues in Q4 2016 to $2.5 million. The decline in revenues was partially mitigated by a 35% drop in lease operating expenses. The Oil & Gas segment reported EBITDAX of $0.4 million in Q4 2016 compared to a $0.8 million in Q4 2015, representing a 49% drop from the prior year period.

Utilization at the Well Services segment averaged 19% in Q4 2016, compared to 30% in Q4 2015, a decline of 11 percentage points, as lower cash flows continued to weigh on operator budgets and activity levels. As a result, Well Services revenues declined 69% in Q4 2016 to $1.8 million. However, lower revenues were largely offset by a 62% drop in operating expenses. Decommissioning revenues fell 42% from the prior year period to $6.1 million, due to reduced activity levels associated with the three Cochon fields. In July, 2016, the Company announced that it had entered into a $22 million decommissioning contract that was expected to be completed by the end of the year; however, most of the work related to this contract was deferred to Q1 2017. The Well Services segment reported EBITDAX of $6.7 million in Q4 2016 compared to $11.9 million in Q4 2015, which represents a 44% drop from the prior year period.

In Q4 2016, the Company's consolidated EBITDAX totaled $6.3 million compared to $11.4 million in Q4 2015, representing a 45% drop from the prior year period. The Company recorded a net loss of $66.8 million in Q4 2016, which includes $59.6 million of non-cash impairment and asset retirement expenses. Most of the impairment charge relates to the write-off of the High Island A494 development, as the Company's inability to complete the #B-4 well resulted in the expiration of the lease in January, 2017.

In November, 2016, Rooster received a notice of default related to its Senior Secured Notes for non-compliance with certain covenants required by the Note Purchase Agreement. As a result, the Senior Secured Notes were classified as current at December 31, 2016, which contributed to a significant working capital deficit of $69.0 million.

Subsequent to December 31, 2016, the Company and holders of the Senior Secured Notes entered into a non-binding term sheet setting forth the general terms of a potential restructuring of the A&R NPA. The Company is and continues to conduct business as usual and continues in negotiations with the holders of the Senior Secured Notes to restructure the terms and conditions of the A&R NPA and its obligations thereunder in accordance with the term sheet. However, the holders of the Senior Secured Notes may exercise their remedies against the Company at any time since there is no forbearance agreement currently in place. In that event, or if the Company is ultimately unable to finalize the documents to satisfactorily restructure the Senior Secured Notes, then the Company would in all likelihood exercise all of its available alternatives to preserve the going concern value of the Company. Such alternatives could include filing a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy code, with recognition of any orders entered thereunder in the appropriate jurisdiction in Canada.

Results of Operations

The following table summarizes net income (loss) for the three and twelve months ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Revenues				
Petroleum and natural gas	$ 3,273,196	$ 3,380,814	$ 12,390,821	$ 20,194,751
Well services	1,776,389	5,699,567	7,941,341	20,726,089
Decommissioning contracts	6,051,434	10,457,878	12,515,007	17,041,325
Production handling	142,979	59,663	639,592	206,876
Realized gain on commodity contracts	9,630	2,261,549	9,029,375	8,287,582
Unrealized gain (loss) on commodity contracts	(971,484)	1,547,950	(9,190,848)	1,003,195
Total revenue	10,282,144	23,407,421	33,325,288	67,459,817
Expenses				
Lease operating	2,967,556	4,542,968	13,482,690	20,732,602
Cost of well services	1,389,358	3,693,459	5,494,719	12,972,067
General and administrative	(47,478)	3,117,469	6,375,332	12,468,987
Depreciation and depletion	1,134,055	1,152,936	4,030,959	6,244,415
Repairs and maintenance	68,989	179,712	394,734	994,982
Bad debt expense	60,155	781,612	132,599	798,786
Stock-based compensation expense (recovery)	2,841	(224,546)	130,563	1,057,501
Impairment of exploration and evaluation assets	277,172	-	277,172	-
Impairment of oil and gas properties	55,976,249	27,968,266	55,976,249	27,968,266
Asset retirement expense	3,327,060	3,281,784	3,327,060	3,281,784
Total expenses	65,155,957	44,493,661	89,622,079	86,519,391
Operating loss	(54,873,813)	(21,086,240)	(56,296,791)	(19,059,573)
Gain (loss) on a settlement of asset retirement obligations	(595,955)	1,029,255	4,690,995	4,815,928
Unrealized gain on financing warrants	-	-	-	1,000
Finance expense [(a)]	(9,062,811)	(3,313,868)	(19,751,671)	(12,746,628)
Loss before income taxes	(64,532,580)	(23,370,853)	(71,357,468)	(26,989,274)
Deferred income tax expense (recovery)	2,242,000	(8,486,000)	(102,000)	(7,804,000)
Net loss	$ (66,774,580)	$ (14,884,853)	$ (71,255,468)	$ (19,185,274)
Net income (Loss) per share				
Basic	(0.21)	(0.05)	(0.22)	(0.06)
Diluted	(0.21)	(0.05)	(0.22)	(0.06)
Weighted average shares outstanding				
Basic	324,099,502	324,099,502	324,099,502	324,099,502
Diluted	324,099,502	324,099,502	324,099,502	324,099,502
EBITDAX [(b)]				
Oil & Gas	$ 418,094	$ 827,294	$ 7,617,457	$ 5,765,207
Well Services	6,672,156	11,910,560	17,697,866	24,527,444
Corporate Allocation & Eliminations	(811,002)	(1,382,737)	(3,855,668)	(6,188,740)
Total EBITDAX	$ 6,279,248	$ 11,355,117	$ 21,459,655	$ 24,103,911
Capital expenditures	$ 3,272	$ 2,873,569	$ 831,396	$ 14,882,581

(a) Finance expenses include accretion for asset retirement obligations
(b) EBITDAX is a non-IFRS measure commonly used in the oil and gas industry

EBITDAX [(a)] Calculation	Three months ended December 31, 2016	2015	Year ended December 31, 2016	2015
Net loss	$ (66,774,580)	$ (14,884,853)	$ (71,255,468)	$ (19,185,274)
Unrealized (gain) loss on Commodity Contracts	971,484	(1,547,950)	9,190,848	(1,003,195)
Depreciation and depletion	1,134,055	1,152,936	4,030,959	6,244,415
Impairment of exploration and evaluation assets	277,172	-	277,172	-
Bad debt expense (recovery)	60,155	781,612	132,599	798,786
Stock-based compensation	2,841	(224,546)	130,563	1,057,501
Impairment of oil and gas properties	55,976,249	27,968,266	55,976,249	27,968,266
Asset retirement expense	3,327,060	3,281,784	3,327,060	3,281,784
Unrealized (gain) loss on financing warrants	-	-	-	(1,000)
Finance expense	9,062,811	3,313,868	19,751,671	12,746,628
Deferred income tax expense (recovery)	2,242,000	(8,486,000)	(102,000)	(7,804,000)
EBITDAX	$ 6,279,248	$ 11,355,118	$ 21,459,655	$ 24,103,911

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

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

Petroleum & Natural Gas Volumes	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Crude Oil (Bbls)	23,939	18,215	31%	110,129	199,663	-45%
Natural Gas Liquids ("NGL") (BOE)	11,234	29,658	-62%	77,756	72,505	7%
Natural Gas (mcf)	687,106	942,826	-27%	2,890,483	4,221,151	-32%
Total (BOE) [(a)]	149,690	205,010	-27%	669,633	975,693	-31%
Average Crude Oil (BOPD)	260	198	31%	301	546	-45%
Average NGL (BOEPD)	122	322	-62%	212	198	7%
Average Natural Gas (MCFPD)	7,469	10,248	-27%	7,897	11,533	-32%
Average Total (BOEPD) [(a)]	1,627	2,228	-27%	1,830	2,673	-32%

(a) Gas volumes are converted to BOE on the basis of 6 Mcf per 1 Bbl

Higher crude oil sales in Q4 2016 resulted from a negative prior-period adjustment recorded in Q4 2015. Excluding this adjustment, crude oil volumes fell 24% from prior year levels due to lower production at High Island 141, which was shut-in in Q3 2016, and declines at Vermillion 376 and Ship Shoal 79. Lower NGL and natural gas sales in Q4 2016 resulted from lower production at Vermilion 67, partially offset by higher production at Grand Isle 70.

Sales volumes in Q4 2016 were comprised of 16% crude oil, 8% NGLs, and 77% natural gas.

Petroleum & Natural Gas Sales, Average Benchmark and Realized Prices	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Crude Oil Sales	$ 1,086,621	$ 1,047,808	4%	$ 4,257,755	$ 9,336,803	-54%
NGL Sales	207,135	395,027	-48%	1,030,421	641,686	61%
Natural Gas Sales	1,979,440	1,937,979	2%	7,102,644	10,216,261	-30%
Total Petroleum & Natural Gas Revenues	$ 3,273,196	$ 3,380,814	-3%	$ 12,390,821	$ 20,194,751	-39%
Realized Crude Oil Prices ($/Bbl)	$45.39	$57.53	-21%	$38.66	$46.76	-17%
West TX Intermediate (Benchmark - $/Bbl)	$49.14	$41.95	17%	$43.14	$48.69	-11%
Sales Price as a percent of Benchmark	92%	137%		90%	96%	
Realized NGL prices ($/Bbl)	$18.44	$13.32	38%	$13.25	$8.85	50%
EIA NGL Index (Benchmark - $/Bbl)	$6.05	$4.63	31%	$5.03	$4.99	1%
Sales Price as a percent of Benchmark	305%	288%		263%	177%	
Realized Natural Gas prices ($/mcf)	$2.88	$2.06	40%	$2.46	$2.42	2%
Henry Hub (Benchmark - $/mcf)	$3.04	$2.12	43%	$2.52	$2.63	-4%
Sales Price as a percent of Benchmark	95%	97%		98%	92%	

The increase in crude oil revenues in Q4 2016 reflect a 31% increase in sale volumes, partially offset by a 21% drop in average realized price. Most of the Company's crude oil pricing is derived from a combination of West Texas Intermediate ("WTI") crude prices, which increased 17% in Q4 2016, and the Louisiana Light Sweet crude price spread relative to WTI prices. However, the decline in the average realized price in Q4 2016 is the result of a prior-period adjustment recorded in Q4 2015 that reduced the sale volumes and, thus, increased the average realized price.

The drop in NGL revenues in Q4 2016 reflects a 62% decline in sale volumes, partially offset by a 38% increase in average realized price. The increase in NGL prices primarily reflects an overall improvement in domestic NGL prices, as the Energy Information Administration's NGL composite index increased 31% in Q4 2016.

The increase in natural gas revenues in Q4 2016 reflects a 40% jump in the average realized price, partially offset by a 27% decline in sale volumes. The increase in the average realized price primarily reflects higher domestic natural gas prices, as prices at the Henry Hub jumped 43% in Q4 2016.

The decline in oil and gas revenues in Q4 2016 reflects a 27% drop in sale volumes, partially offset by a 33% increase in average realized price. Oil & gas revenues in Q4 2016 were comprised of 33% crude oil, 6% NGLs, and 61% natural gas.

Production Handling Revenues	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Production Handling	$ 142,979	$ 59,663	140%	$ 639,592	$ 206,876	209%

The increase in production handling revenues in Q4 2016 and FY 2016 reflects higher third-party volumes being processed through the Company's platforms.

Well Services & Decommissioning Contracts Revenue	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Well Services	$1,776,389	$ 5,699,567	-69%	$ 7,941,341	$ 20,726,089	-62%
Decommissioning Contracts	$ 6,051,434	$ 10,457,878	-42%	$ 12,515,007	$ 17,041,325	-27%

The decline in Well Services revenues in Q4 2016 reflects an 11 percentage point drop in utilization and a 31% drop in revenues per day. Revenues continued to be hampered by lower operator cash flows resulting from lower crude oil prices and lower production volumes.

The decrease in decommissioning revenues in Q4 2016 reflects lower activity levels, as the Company successfully plugged and abandoned the final well at Eugene Island 18 and removed three platforms – two at West Delta 44/45, and one at Eugene Island 18 – another in progress at year-end. This compares with four platforms removed in Q4 2015. The remaining inventory of decommissioning work at year-end 2016 included 6 wells to be plugged (5 wells at Vermilion 67 and 1 well at Ship Shoal 321) and the removal of 17 platforms (14 at Eugene Island 18 and 3 at Vermilion 67).

Gain on Commodity Contracts	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Realized Gain on Commodity Contracts	$ 9,630	$ 2,261,549	-100%	$ 9,029,375	$ 8,287,582	9%
Unrealized Gain (Loss) on Commodity Contracts	$ (971,484)	$ 1,547,950	-163%	$ (9,190,848)	$ 1,003,195	-1016%

In July, 2016, the Company entered into fixed price commodity swap agreements for natural gas production over the period from August 2016 to August 2018 at a fixed price of $3.0125 per MMBTU. The realized gains of $9,630 in Q4 2016 resulted from declines in natural gas prices on those commodity contracts that were settled in Q4 2016. The unrealized losses of $971,484 resulted from increases in forecasted natural gas prices on those commodity contracts that remain outstanding at December 31, 2016.

See "Financial Instruments and Other Instruments" for additional details regarding the Company's commodity contracts.

Total Revenue	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Total Revenue	$ 10,282,144	$ 23,407,421	-56%	$ 33,325,288	$ 67,459,817	-51%

Lower revenues in Q4 2016 were largely the result of lower oil and gas, well services and decommissioning contracts revenues, combined with lower gains/higher losses on derivative commodity contracts.

Expenses	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Lease operating	$ 2,967,556	$ 4,542,968	-35%	$ 13,482,690	$ 20,732,602	-35%
Cost of well services	1,389,358	3,693,459	-62%	5,494,719	12,972,067	-58%
General and administrative	(47,478)	3,117,469	-102%	6,375,332	12,468,987	-49%
Depreciation and depletion	1,134,055	1,152,936	-2%	4,030,959	6,244,415	-35%
Repairs and maintenance	68,989	179,712	-62%	394,734	994,982	-60%
Bad debt expense	60,155	781,612	-92%	132,599	798,786	-83%
Stock-based compensation expense	2,841	(224,546)	-101%	130,563	1,057,501	-88%
Impairment of exploration and evaluation assets	277,172	0	-	277,172	0	-
Impairment of oil and gas properties	55,976,249	27,968,266	100%	55,976,249	27,968,266	100%
Asset retirement expense	3,327,060	3,281,784	1%	3,327,060	3,281,784	1%
Exploration and evaluation, net	0	0	-	0	0	-
Transaction costs	0	0	-	0	0	-
Total Expenses	$65,155,957	$44,493,661	46%	$89,622,079	$86,519,391	4%

Lease operating expenses fell 35% in Q4 2016 from year-ago levels. Lower lease operating costs were driven primarily by lower expenses at Eugene Island 18, High Island 141, West Delta 44/45 and Eugene Island 28, which the Company shut-in for permanent abandonment, as well as High Island A494, where the Company successfully reduced repair & maintenance expenses. In addition, the Company has successfully reduced lease operating expenses at most of its leases owing to a combination of lower service costs and lower production rates. Lease operating expenses averaged $20 per BOE in Q4 2016, which represents a decline of 11% in per unit operating expenses.

Well services expenses fell 62% in Q4 2016 from year-ago levels. Lower well service expenses were reflect lower labor, consumable, and pass-through expenses, all resulting from lower utilization.

General and administrative expenses in Q4 2016 total ($47,478), which includes credits associated with insurance for the Well Services segment, as well as lower employee compensation.

Depreciation and depletion expenses fell 2% in Q4 2016. Lower depreciation and depletion expenses were driven primarily by a lower basis for the oil and gas properties due to the 2015 impairments and some Well Services equipment being fully depreciated.

Repair and maintenance expenses fell 62% in Q4 2016. Lower repair and maintenance expenses reflect a drop in utilization.

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

Stock-based compensation expenses relate to the amortization of costs associated with employee, officer and director stock options granted since 2012.

Impairment expenses totaled nearly $56.0 million, of which $52.1 million related to the write-off of High Island A494. The impairment of High Island A494 resulted from the Company's inability to complete the #B-4 well, which led to the expiration of the lease in January, 2017.

Asset retirement obligation (ARO) expenses totaled $3.3 million, which reflects ARO revisions for those cash generating units with no assigned reserves.

Gain (Loss) on Settlement of Asset Retirement Obligations	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Gain (Loss) on Settlement of Asset Retirement Obligations	$ (595,955)	$ 1,029,255	158%	$ 4,690,995	$ 4,815,928	3%

The losses on settlement of the Company's ARO in Q4 2016 resulted from actual costs coming in above estimates, primarily at Eugene Island 18.

Unrealized Gain (Loss) on Financing Warrants	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Unrealized Gain (Loss) on Financing Warrants	$ -	$ -	-	$ -	$ 1,000	-100%

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

Finance Expense, net	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Finance Expense, net	$ 9,062,811	$ 3,313,868	173%	$ 19,751,671	$ 12,746,628	55%

Higher finance expenses in Q4 2016 resulted from: 1) higher interest associated with the Second Amendment to the A&R NPA; and 2) higher accretion on Senior Secured Notes payable resulting from the Company's default on its Senior Secured Notes. Cash interest expenses incurred in Q4 2016 declined 4% from the prior year period. See note 15 to the audited consolidated financial statements for the year ended December 31, 2016, for more details.

Deferred Income Tax Expense (Recovery)	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Deferred Income Tax Expense (Recovery)	$ 2,242,000	$ (8,486,000)	-126%	$ (102,000)	$ (7,804,000)	-99%

Deferred taxes reflect 35% (corporate tax rate) of the Company's pretax income, excluding non-taxable deductions for debt accretion, stock-based compensation, and unrealized gains or losses on financing warrants. As a result of the year end impairment, the Company has taken a valuation allowance on the Company's net operating losses.

Net Loss	Three months ended December 31, 2016	2015	Change	Year ended December 31, 2016	2015	Change
Net Loss	$ (66,774,580)	$ (14,884,853)	-349%	$ (71,255,468)	$ (19,185,274)	-271%

The decrease in net income recorded in 2016 was primarily the result of higher impairment, lower revenues, partially offset by lower operating costs.

Seasonality

In general, the Company's oil & gas production business is not subject to seasonal factors and trends, although adverse weather conditions may result in temporary declines in production volumes and revenues and resulting decreases in profitability. In particular, operations in the Gulf of Mexico expose the Company to hurricane and tropical storm risks in the late summer/early fall (which are insured by the Company) and, less often, cold weather risks that may result in declines in production associated with temporary cessations of production during such weather events and extended cessations of production associated with damage to facilities and/or pipelines arising from such risks. The Company's production and profitability were minimally affected by adverse weather conditions in Q4 2016.

The Well Services business is subject to seasonal factors and trends. In particular, due to adverse weather and sea conditions in the Gulf of Mexico, we have historically seen the utilization of spreads decrease from November through March. Also, since all oil and gas operations in the Gulf of Mexico and coastal waters of Louisiana and Texas are exposed to hurricane and tropical storm risks in the late summer/early fall, the Well Services business could see one or more temporary interruptions of work should one of these weather events occur. In Q4 2016, the Well Services business was not affected by any tropical storm or hurricane.

Summary Quarterly Results

The following is a summary of selected quarterly information that has been derived from both the unaudited quarterly financial statements and the audited annual financial statements of the Company. This summary should be read in conjunction with the respective financial statements for the periods indicated.

	For the three months ended							
	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
Financial								
Total revenue	$ 10,282,144	$8,284,942	8,208,483	6,549,719	23,407,421	18,953,043	10,625,832	14,473,520
Net loss	$ (66,774,580)	($26,781)	(1,124,731)	(3,329,377)	(14,884,853)	145,533	(3,527,701)	(918,254)
Net income (loss) per share								
Basic	(0.21)	(0.00)	0.00	(0.01)	(0.05)	0.00	(0.01)	0.00
Diluted	(0.21)	(0.00)	0.00	(0.01)	(0.05)	0.00	(0.01)	0.00
Oil & Gas Operations								
Sale volumes								
Crude oil (Bbls)	23,939	25,485	27,614	33,092	18,215	43,334	75,873	62,242
NGLs (Bbls)	11,234	20,318	20,272	25,933	29,658	17,682	11,498	13,667
Natural gas (Mcf)	687,106	719,022	746,064	738,292	942,826	864,596	1,180,441	1,233,287
Total (BOE) [(1)]	149,690	165,639	172,231	182,073	205,010	205,115	284,111	281,457
Daily (BOE per day) [(1)]	1,627	1,800	1,893	2,001	2,228	2,230	3,122	3,127
Realized prices								
Crude oil (per Bbl)	$ 45.39	$ 39.54	$ 44.14	$ 28.55	$ 57.53	$ 43.00	$ 49.00	$ 43.51
NGLs (per BOE)	18.44	14.39	14.63	9.03	13.32	7.05	7.93	2.26
Natural gas (per Mcf)	2.88	2.82	2.06	2.11	2.06	2.62	2.41	2.57
Total (per BOE)	$ 21.87	$ 20.11	$ 17.73	$ 15.01	$ 16.49	$ 20.74	$ 23.41	$ 21.00
Revenue								
Crude oil	$ 1,086,621	$ 1,007,568	$ 1,218,892	$ 944,675	$ 1,047,808	$ 1,863,322	$ 3,717,726	$ 2,707,947
NGLs	207,135	292,398	296,682	234,207	395,027	124,690	91,140	30,828
Natural gas	1,979,440	2,030,503	1,538,019	1,554,683	1,937,979	2,265,621	2,841,284	3,171,378
Production handling	142,979	217,937	252,296	26,379	59,663	59,402	45,755	42,056
Realized gain on commodity contracts	9,630	63,377	1,157,923	7,798,445	2,261,549	1,912,583	1,751,890	2,361,560
Unrealized gain on commodity contracts	(971,484)	(46,199)	(1,157,923)	(7,015,242)	1,547,950	4,292,899	(4,139,789)	(697,865)
Total	$ 2,454,321	$ 3,565,584	$ 3,305,888	$ 3,543,147	$ 7,249,976	$ 10,518,517	$ 4,308,006	$ 7,615,904
Expenses								
Lease operating expenses	$ 2,967,556	$ 3,083,742	$ 4,001,532	$ 3,429,859	$ 4,542,968	$ 4,593,980	$ 5,384,030	$ 6,211,624
Lease operating expenses per BOE [(1)]	$ 19.82	$ 18.62	$ 23.23	$ 18.84	$ 22.16	$ 22.40	$ 18.95	$ 22.07
Well Services Operations								
Average spreads	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Days worked	283	532	362	67	437	716	618	392
Average utilization	19%	36%	25%	5%	30%	49%	42%	27%
Revenue								
Well services	$ 1,776,389	$ 2,941,701	$ 1,846,072	$ 1,377,179	$ 5,699,567	$ 7,714,705	$ 3,640,590	$ 3,671,227
Decommissioning contract revenue	6,051,434	1,777,657	3,056,523	1,629,392	10,457,878	719,821	2,677,236	3,186,389
Total	$ 7,827,823	$ 4,719,358	$ 4,902,595	$ 3,006,572	$ 16,157,445	$ 8,434,526	$ 6,317,826	$ 6,857,616
Expenses								
Cost of well services	$ 1,389,358	$ 1,854,238	$ 1,186,575	$ 1,064,548	$ 3,693,459	$ 4,036,739	$ 2,295,030	$ 2,946,839
Repairs and maintenance	68,989	135,477	136,973	53,295	179,712	287,241	352,813	175,216
Total	$ 1,458,347	$ 1,989,715	$ 1,323,548	$ 1,117,843	$ 3,873,171	$ 4,323,980	$ 2,647,843	$ 3,122,055
Gain (loss) on asset retirement obligations	$ (595,955)	$ 3,540,549	$ 1,807,484	$ (61,083)	$ 1,029,255	$ 427,574	$ 2,308,657	$ 1,050,442

Liquidity

Senior Secured Notes

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

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

On March 14, 2016, the Company entered into the First Amendment and Waiver to the A&R NPA (the "First Amendment"), effective December 31, 2015. Pursuant to the First Amendment, all of the financial and performance covenants of the A&R NPA and scheduled loan amortization were waived for the fiscal quarters ending March 31, 2016 and June 30, 2016. In exchange for the waiver, the Company paid a waiver fee in the amount of $493,333 on March 14, 2016. The Senior Secured Notes bear interest at a rate equal to Libor + 11.5% per annum with interest payments due monthly; the minimum interest rate is 13.0% per annum. Additionally, from and after March 14, 2016 until June 30, 2016, an 8.0% interest is paid in kind ("PIK Interest"). All PIK Interest is capitalized and compounded by increasing the outstanding principal amount of the Senior Secured Notes. The Company's general and administrative costs are not allowed to exceed stipulated limits for the fiscal quarter ending March 31, 2016, and each fiscal quarter thereafter. The Company shall comply with the terms of a budget approved by the Senior Secured Noteholders (the "Approved Budget").

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

In June 2016, the Company entered into a new decommissioning contract in the Gulf of Mexico. The revenues under the contract will be approximately $21.8 million when the work is completed. The estimated costs for the decommissioning work under this contract are $13.9 million. The company has used and will continue to use the additional cash flows generated from this decommissioning contract to pay down the principal balance of the Senior Secured Notes.

On July 14, 2016, the Company entered into the Second Amendment and Waiver to the A&R NPA (the "Second Amendment"), effective June 30, 2016. The Second Amendment has waived (i) all defaults under the Approved Budget as stipulated in the First Amendment, (ii) the minimum EBITDAX and leverage ratio covenants of the A&R NPA for the fiscal quarter ending September 30, 2016, and (iii) the asset coverage ratio covenant for the fiscal quarter ending December 31, 2016. The scheduled loan amortization has been replaced with a requirement for principal repayments summing to no less than $7,532,000 for the six months ending December 31, 2016. The Senior Secured Notes continues to bear interest at a rate equal to Libor + 11.5% per annum (minimum of 13.0%) with interest payments due monthly. The Senior Secured Notes also continues to bear additional PIK interest until December 31, 2016 at a rate of 8.0%. A payable-in-kind waiver fee in the amount of $431,433 has been capitalized and compounded by automatically increasing the principal amount of the Senior Secured Notes effective June 30, 2016.

In November 2016, the Company received a notice of default for non-compliance with two covenants of the Second Amendment. While the holders of the Senior Secured Notes did not accelerate payment, they did reserve all legal rights and remedies. As such, the Company has accreted the fair value of the debt to the principal amount on maturity and classified the debt as a current liability in its financial statements.

Subordinated Notes

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

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

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

In connection with the Senior Secured Notes, the holder, the Company and each of the parties to the Subordinated Note #1, Subordinated Note #2 and Subordinated Note #3 (see the Company's December 31, 2016 financial statement notes 9(ii), (iii) and (iv)) entered into intercreditor and subordination agreements that prohibit any payments on the subordinated indebtedness until the Senior Secured Notes are fully satisfied. Additionally, the Subordinated Note #1, Subordinated Note #2 and Subordinated Note #3 were amended to extend the maturity date of each of those loans to no earlier than one year following the maturity date of the Senior Secured Notes.

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

At December 31, 2016, the Company had a working capital deficit of $69.0 million. Subsequent to December 31, 2016, the Company entered into a non-binding term sheet setting forth the general terms of a potential acceptable restructuring of the A&R NPA. The Company is and continues to conduct business as usual and will continue in negotiations with the holders of the Senior Secured Notes to restructure the terms and conditions of the A&R NPA and its obligations thereunder in accordance with the term sheet. However, the holders of the Senior Secured Notes may exercise their remedies against the Company at any time since there is no forbearance agreement currently in place. In that event, or if the Company is ultimately unable to finalize the documents to satisfactorily restructure the Senior Secured Notes, then the Company would in all likelihood exercise all of its available alternatives to preserve the going concern value of the Company. Such alternatives could include filing a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy code, with recognition of any orders entered thereunder in the appropriate jurisdiction in Canada.

Asset Retirement Obligations

In addition to the amounts owed at December 31, 2016, the Company has an ongoing liability with respect to the plugging and abandonment of wells and decommissioning of platforms/facilities totaling $39.9 million on a discounted basis. However, $25.0 million of this liability is covered by turnkey decommissioning contracts with third parties, and $1.8 million requires reimbursement by prior owners of certain leases. The timing and amount of settling such ARO are based on management's best estimate at this time. In the event of unforeseen developments, the Company may be required to incur ARO costs sooner than otherwise anticipated and in amounts exceeding the ARO recorded on the balance sheet.

Contractual Obligations

At December 31, 2016, principal contractual obligations requiring fixed payments consisted of the following:

	Current Balance	Payments Due By Period Total	Less Than 1 Yr	1 - 2 Years	2 - 5 Years
Senior Secured Notes (1)	$ 56,831,791	$ 56,831,791	$ 56,831,791	$ -	$ -
Subordinated Note #1 (2)	5,590,706	6,463,000	-	-	6,463,000
Subordinated Note #2 (3)	2,199,743	2,979,200	-	-	2,979,200
Subordinated Note #3 (4)	5,953,681	7,150,000	-	-	7,150,000
Promissory Notes (5)	909,397	909,397	909,397	-	-
	$ 71,485,317	$ 74,333,387	$ 57,741,187	$ -	$ 16,592,200

(1) $56,831,791 payable at December 31, 2016, classified as current liability due to default.
Refer to subsequent events for further discussion of restructuring efforts subsequent to December 31, 2016.
(2) $6,463,000 Payable on June 25, 2019 with interest at 15.5% per annum payable at maturity
(3) Cdn$4,000,000 Payable on June 25, 2019 with interest at 9% per annum payable at maturity
(4) $7,150,000 Payable on June 25, 2019 with interest at 14% per annum payable at maturity
(5) Payable in monthly installments of $207,015, including interest at 3.50% per annum, through May 2017.

Additionally, the Company leases its corporate headquarters located at 16285 Park Ten Place, Suite 120, Houston, Texas 77084 pursuant to a lease agreement with a five (5) year term beginning July 1, 2012 through June 30, 2017. For the period beginning January 1, 2017 through June 30, 2017, the base rental rate is $17,632 per month.

Capital Expenditures

Capital expenditures totaled $3,272 in Q4 2016 and $831,396 in FY 2016.

Off-Balance Sheet Arrangements

At December 31, 2016, the Company is not party to, and not currently party to, any off-balance sheet arrangements.

Financial Instruments and Other Instruments

As a condition to the Second Amendment, on July 14, 2016, the Company entered into fixed price commodity swap agreements covering a portion of its natural gas production over the period from August 2016 to August 2018 at a fixed price of $3.0125 per MMBTU.

The following is a summary of all derivative commodity contracts that were in place as at December 31, 2016:

Reference Point	Volume	Term	Price
Natural Gas Contracts:			
NYMEX Henry Hub	3,610 MMBtu/d	Jan 1 2017 - Aug 31, 2018	$3.0125 / MMBtu

Transactions with Related Parties

As at December 31, 2016, the Company had the following transactions and balances with related parties:

- At December 31, 2016, the Company had accounts payable in the amount of $11,317,055 (of which $8,443,179 is current) primarily due and owing to Chet Morrison Contractors, LLC, which is indirectly owned and controlled by Chester F. Morrison, Jr., who is a director and significant shareholder of the Company.

- In October, 2013, the Company entered into a subordinated secured credit facility ("Subordinated Note #2") which provides for borrowing up to CAD $8.0 million, with an initial advance of CAD $4.0 million (see "Liquidity"). Chester F. Morrison, Jr., who funded 40% of the credit facility, is a director and significant shareholder of the Company. As at December 31, 2016, accrued interest related to the 40% of the credit facility funded by Chester F. Morrison, Jr. totaled $347,204 and the liability due to Chester F. Morrison Jr. on the financial statements was $879,897.

- In March 2014, the Company entered into a secured credit facility ("Subordinated Note #3") with Chester F. Morrison, Jr., who is a related party, which provides for borrowing up to $10 million, with an initial advance of $4.4 million (see "Liquidity"). In May, 2014, the Company drew an additional $2.8 million from the credit facility. At December 31, 2016, accrued interest related to the credit facility totaled $2,729,808 and the liability on the financial statements was $5,953,681. Mr. Morrison is a director and significant shareholder of the Company.

- On March 12, 2014, the Company received a promissory note from Chester F. Morrison, Jr., who is a director and significant shareholder of the Company, in the principal amount of $4,000,000, with interest at the rate of 3.25% per annum. Accrued interest receivable on the note totaled $365,068 at December 31, 2016.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares (that may be converted to proportionate voting shares), proportionate voting shares, and an unlimited number of preferred shares issuable in series with no par value.

As at December 31, 2016 and April 30, 2017, there were 60,989 proportionate voting shares (each convertible to 1,000 common shares) and 263,110,502 common shares issued and outstanding, or the issued share capital on a fully diluted basis is the equivalent of 324,099,502 common shares. No preferred shares are issued or outstanding.

During the twelve months ended December 31, 2016, the Company did not grant stock options, had no options exercised and 1,685,354 options were forfeited by directors and employees no longer with the Company.

The following table outlines the exercise price and years to expiry of all outstanding options, as well as the number of options exercisable as at December 31, 2016:

Grant Date	Number Outstanding	Remaining Contractual Life	Exercise Price	Expiry Date	Number Exercisable
Jun. 05, 2012	3,275,114	5.50 years	CAD $0.50	Jun. 05, 2022	3,275,114
Sep. 11, 2013	3,632,759	6.75 years	CAD $0.82	Sep. 11, 2023	3,632,759
May 16, 2014	300,000	7.50 years	CAD $0.61	May. 16, 2024	200,000
Mar. 02, 2015	-	8.25 years	CAD $0.07	Mar. 02, 2025	-
May 06, 2015	9,345,963	8.25 years	CAD $0.14	May. 06, 2025	9,345,963
	16,553,836				16,453,836

On October 28, 2015, the shareholders of the Company passed a special resolution approving, ratifying and confirming amendment of the stock option plan providing that the maximum number of common shares under the option plan cannot exceed twenty percent (20%) of the common shares on a fully diluted basis or 64,819,900. At December 31, 2016, the maximum number of common shares reserved for issuance under the Company's stock option plan was 64,819,900 shares with 48,266,064 shares remaining available for issue under the terms of the stock option plan.

As at December 31, 2016, the Company had 13,429,813 warrants outstanding at USD$0.67 per share until October 22, 2017. During the year ended December 31, 2016, no warrants were issued or exercised.

Other than those issued under the warrant purchase agreement or the Rooster Energy Ltd. 2014 Stock Incentive Plan and the proportionate voting shares (each of which is convertible into 1,000 common shares), there were no warrants, stock options or other securities convertible into common shares outstanding on December 31, 2016.

Legal Proceedings

We regularly analyze current information and, as necessary, provide accruals for probable liabilities on the eventual disposition of these matters. In the opinion of management, at December 31, 2016, there were no lawsuits threatened or pending legal matters that could have a material impact on our consolidated results of operations, financial position or cash flows.

At December 31, 2016, the Company had an aggregate of approximately $38 million posted in surety bonds in favor of Bureau of Ocean Energy Management (BOEM) and/or third parties (predecessors in lease title) to secure the performance of its oil and gas lease obligations including satisfaction of asset retirement obligations. In Q4 2016, the Company received notice from BOEM that it estimated the decommissioning liabilities of the Company to be $149,266,862 and it intended to issue orders for the Company to provide additional financial security on its leases in that amount unless the Company submitted written notification of disputes within thirty days of the notification. The Company disagreed with the proposed assessed liability amounts and timely disputed same as provided for by BOEM regulations. The Company provided support for inaccurate facts relied upon by BOEM in its assessment as well as estimates of third party contractors to perform decommissioning that are much less than the estimates of BOEM. Subsequently, BOEM issued an order for the Company to provide additional financial security in the amount of $673,194 on or before May 27, 2017. If the Company fails to comply with the order within the time period specified it may result in penalties, suspension of production and other operations and/or lease cancellation all of which could negatively impact the oil and gas operations of the Company.

As of December 31, 2016, Chet Morrison Contractors, LLC (CMC) has asserted that $727,764 related to refunds of insurance premiums for the Well Services segment, which the Company has recognized as a credit to general and administrative expenses during the year ended December 31, 2016, is owed by the Company to CMC as the refunds related to premiums paid prior to Rooster's acquisition of Morrison Well Services, LLC in November, 2014. Rooster disputes this claim and maintains that the refunds belong to the Company. It is management's opinion that the disputed amount lacks merit and the likelihood of any additional amounts owing to CMC is not probable. As such, no further amounts have been accrued in due to related parties (note 20) in the consolidated financial statements as at December 31, 2016.

Subsequent Events

In November 2016, the Company received a notice of default for non-compliance with two covenants of the Second Amendment. While the holders of the Senior Secured Notes did not accelerate payment, they did reserve all legal rights and remedies. On February 3, 2017, the Company entered into a Limited Forbearance and Reservation of Rights Agreement (the "Forbearance Agreement") with the holders of the Senior Secured Notes. Pursuant to the Forbearance Agreement, the holders of the Senior Secured Notes agreed to forbear from exercising certain of their rights and remedies under the Second Amendment during a standstill period that terminated on March 3, 2017.

Following the termination of the Forbearance Agreement, on March 10, 2017, the Company entered into the Third Amendment to the A&R NPA with the holders of the Senior Secured Notes (the "Third Amendment"). Pursuant to the Third Amendment, the holders agreed to waive the penalty interest and fees that the Company became obligated to pay at termination of the Forbearance Agreement if a deal to restructure the senior secured debt was agreed to prior to March 24, 2017. No other defaults by the Company have been waived or cured by the Third Amendment.

On March 24, 2017, the Company entered into a non-binding term sheet setting forth the general terms of a potential acceptable restructuring of the NPA. The Company is and continues to conduct business as usual and will continue in negotiations with the holders of the

Senior Secured Notes to restructure the terms and conditions of the A&R NPA and its obligations thereunder in accordance with the term sheet. However, the holders of the Senior Secured Notes may exercise their remedies against the Company at any time since there is no forbearance agreement currently in place. In that event, or if the Company is ultimately unable to finalize the documents to satisfactorily restructure the Senior Secured Notes, then the Company would in all likelihood exercise all of its available alternatives to preserve the going concern value of the Company. Such alternatives could include filing a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy code, with recognition of any orders entered thereunder in the appropriate jurisdiction in Canada.

Subsequent to December 31, 2016, the Company has made cash payments totaling $5,762,000 towards the Senior Secured Notes that has been applied towards principal reduction. In addition, as of April 28, 2017, the Company has made all interest payments due on the Senior Secured Notes.

Subsequent to December 31, 2016, the matter entitled DeepCor Marine, Inc. versus Rooster Petroleum, LLC, Case No. 179724, 32nd Judicial District Court, Terrebonne Parish, LA (4/18/17), was commenced against a subsidiary of the Company. It is a suit on open account for services rendered seeking judgment in the amount of $943,498, plus legal interest and attorney fees. The portion of this amount relating to services performed prior to December 31, 2016 is included in accounts payable at December 31, 2016. The Company disputes the allegations and intends to defend the action.

Forward Looking Information and Statements

This MD&A may contain forward looking information related to planned drilling, workovers, production, revenue, commodity prices, royalties, capital expenditures and commitments, operating costs, general and administrative expenses, funds flow from operations, financing plans, liquidity and capital resources and debt settlement. Forward-looking information is based on expectations and estimates as of the date of this document, and is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward-looking information. Forward-looking information is information that does not relate strictly to historical or current facts, and can be identified by the use of the future tense or other forward-looking words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “should”, “could” “may”, “objective”, “projection”, “forecast”, “continue”, “strategy”, “position” or the negative of those terms or other variations of them or comparable terminology.

Further examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions, which may prove to be incorrect including: the amounts of profit or loss to be derived or recognized from any contracts, the amounts recorded for depletion, depreciation and accretion, the provision for ARO and the ceiling test, which are based on estimates of reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. Stock-based compensation expense is based upon estimates using the Black-Scholes option pricing model.

Risks and Uncertainties

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

At this time, the most significant risk relates to the uncertainty of the Company's ability to restructure the terms of the NPA or pay the full amounts owing on the Senior Secured Notes, finance development plans and ongoing operations, the results of any such development operations and future oil and gas prices and the current volatility in these markets. Revenues and funds flow from operations will be impacted positively or negatively depending on the ultimate variance to our forecast assumptions. Furthermore, the outcome of commodity price changes are expected to impact our capital spending plans and the ability of joint venture partners and other sources of capital funding to provide financing for oil and gas projects and will almost certainly indirectly affect the revenues of the Well Services business.

Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain employees on a cost effective basis, commodity and marketing risk and seasonality. The Company is subject to significant drilling risk and uncertainties including the ability to find oil and gas reserves on an economic basis, and the Company is also exposed to risks relating to the inability to obtain timely regulatory approvals or meet other regulatory demands, including demands to provide supplemental financial assurances to the Bureau of Ocean Energy Management for liabilities associated with leases, obtain surface access to wells and to access to third party gathering and processing facilities, transportation and other third party related operational risks over with the Company has no control.

Financial risks that the Company is exposed to include, but are not limited to, access to debt or equity markets and fluctuations in commodity prices, interest rates and to some extent the Canadian/US dollar exchange rate.

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

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of factors that could affect the Company.

Management's Report on Internal Control Over Financial Reporting

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

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

Date

This MD&A is dated April 28, 2017.

Additional Information

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