Management's Report

The management of Raging River Exploration Inc. has prepared the accompanying consolidated financial statements of Raging River Exploration Inc. in accordance with Canadian generally accepted accounting principles. Financial and operating information presented throughout the regulatory filings is consistent with that shown in the financial statements.

Management is responsible for the integrity and objectivity of the financial information. Where necessary, the financial statements include estimates that are based on management's informed judgments. Internal control systems are designed and maintained to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and reliable accounting records are produced for financial purposes.

KPMG LLP, an independent firm of Chartered Accountants was appointed by the Company's shareholders to conduct an audit of the consolidated financial statements. Their examination included such tests and procedures as they considered necessary to provide reasonable assurance that the consolidated financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. It exercises its responsibilities primarily through the Audit Committee, which is composed of three independent directors. The Committee meets regularly with management and with the independent auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend that the consolidated financial statements be presented to the Board of Directors for approval.

The Audit Committee has reviewed the consolidated financial statements and recommended their approval to the Board of Directors. The Board has approved the consolidated financial statements for issuance to the shareholders.

(signed) "*Neil Roszell*"

Neil Roszell
President and Chief Executive Officer

(signed) "*Jerry M. Sapieha*"

Jerry M. Sapieha, CA
Vice President Finance and Chief Financial Officer

March 20, 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Raging River Exploration Inc.

We have audited the accompanying consolidated financial statements of Raging River Exploration Inc., which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of comprehensive earnings and retained earnings, equity and cash flows for the period from commencement of operations on March 16, 2012 to December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Raging River Exploration Inc. as at December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the period from commencement of operations on March 16, 2012 to December 31, 2012, in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 20, 2013

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KPMG Confidential

RAGING RIVER EXPLORATION INC.
Consolidated Statement of Financial Position

(thousands)	December 31, 2012 $
ASSETS	
Current assets	
Cash	9,416
Accounts receivable	8,995
Financial instruments (note 17)	398
Prepaid expenses	789
	19,598
Exploration and evaluation assets (notes 5,6 & 7)	40,331
Property and equipment (notes 5, 6 & 8)	256,358
	316,287
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Accounts payable	34,356
Asset retirement obligations (note 12)	12,568
Deferred income tax (note 13)	11,992
	58,916
Shareholders' Equity	
Share capital (note 10)	241,893
Warrants (note 10)	3,272
Contributed surplus	869
Retained earnings	11,337
	257,371
	316,287

Nature of operations (notes 1 & 5)
Commitment (note 18)
Subsequent event (note 19)

(See accompanying notes to the consolidated financial statements)

(signed)
Raymond P Mack
Director

(signed)
Neil Roszell
Director

RAGING RIVER EXPLORATION INC.
Consolidated Statement of Comprehensive Earnings

(thousands except per share data)	Commencement of operations March 16, 2012 to December 31, 2012 $
REVENUE	
Petroleum and natural gas	49,964
Royalties	(4,794)
	45,170
Realized gain on commodity contracts (note 17)	597
Unrealized gain on commodity contracts (note 17)	398
	46,165
EXPENSES	
Operating	8,464
Transportation	1,145
General and administrative	1,836
Stock based compensation (note 11)	663
Gain on sale	(1,468)
Financial charges	513
Depletion and depreciation (note 8)	19,222
Asset retirement obligation accretion (note 12)	153
	30,528
Earnings before income taxes	15,637
Deferred income taxes (note 13)	4,300
Net earnings and comprehensive earnings	11,337
Net earnings per common share (note 10 (d))	
Basic	0.10
Diluted	0.09

(See accompanying notes to the consolidated financial statements)

RAGING RIVER EXPLORATION INC.
Statement of Cash Flows

Cash flow related to the following activities:	Commencement of operations March 16, 2012 to December 31, 2012
(thousands)	$
OPERATING	
Net earnings	11,337
Items not involving cash:	
Depletion and depreciation	19,222
Asset retirement obligation accretion	153
Stock based compensation	663
Gain on sale	(1,468)
Unrealized gain on commodity contracts	(398)
Deferred income taxes	4,300
Asset retirement expenditures	(12)
	33,797
Change in non-cash operating working capital (note 15)	2,079
	35,876
FINANCING	
Change in bank debt	(43,500)
Issue of common shares, net	143,362
	99,862
Cash available for investing activities	135,738
INVESTING	
Capital expenditures – property and equipment	(107,940)
Capital expenditures – exploration and evaluation assets	(13,187)
Corporate acquisitions	(5,211)
Change in non-cash investing working capital (note 15)	16
	(126,322)
Change in cash	9,416
Cash, beginning of period	-
Cash, end of period	9,416

(See accompanying notes to the consolidated financial statements)

RAGING RIVER EXPLORATION INC.
Statement of Equity

(thousands)	Note	Share capital $	Warrants $	Contributed surplus $	Retained earnings $	Total equity $
Balance at March 15, 2012		-	-	-	-	-
Issued on Plan of Arrangement	5	69,393	-	-	-	69,393
Issued through private placement	10(c)	19,872	3,272	-	-	23,144
Issued through bought deal financings	10(c)	103,900	-	-	-	103,900
Issued on corporate acquisitions	10(c)	24,958	-	-	-	24,958
Issued on property acquisitions	10(c)	5,803	-	-	-	5,803
Warrants exercised	10(c)	22,599	-	-	-	22,599
Stock based compensation		-	-	869	-	869
Share issue costs, net of tax $1,650	10(b)	(4,632)	-	-	-	(4,632)
Net earnings for the period		-	-	-	11,337	11,337
Balance at December 31, 2012		241,893	3,272	869	11,337	257,371

(See accompanying notes to the consolidated financial statements)

RAGING RIVER EXPLORATION INC.
Notes to the Consolidated Financial Statements

For the period ended December 31, 2012

(tabular amounts in thousands of dollars unless otherwise stated)

1. NATURE OF OPERATIONS

Raging River Exploration Inc. ("Raging River" or the "Company") was incorporated as 1646988 Alberta Ltd. pursuant to the Business Corporations Act (Alberta) on December 15, 2011 and was inactive until March 16, 2012. On January 26, 2012, the company changed its name to Raging River Exploration Inc. Raging River is a crude oil and natural gas exploration, development and production company based in Calgary, Alberta, Canada. The Company's operations are focused in Western Canada, primarily in southwest Saskatchewan. The Company is listed on the TSX Venture Exchange under the symbol "RRX".

The address of its registered office is suite 710, 400-5th Avenue S.W., Calgary, Alberta.

The comparative statement of financial position at December 31, 2011 was $1.00 cash and share capital. No comparative statement is provided as the consolidated statement of financial position is shown in thousands.

Refer to note 5 for description of the common control transaction.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared under International Financial Reporting Standards and interpretations (collectively referred to as "IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on March 20, 2013.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

(i) derivative financial instruments are measured at fair value; and

(ii) held for trading financial assets are measured at fair value with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in note 3.

Use of estimates and judgments

The preparation of financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

a) Critical Judgments in Applying Accounting Policies

The determination of what constitutes a cash-generating unit used to test of the recoverability of development and production asset carrying values is subject to management judgment. Judgments are made in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality. The asset composition of a CGU can directly impact the recoverability of the assets included therein. The key estimates used in the determination of cash flows from oil and natural gas reserves include the following:

i) Reserves – Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production levels or results of future drilling may change the economic status of reserves and may ultimately result in reserves being restated.

ii) Oil and natural gas prices – Forward price estimates are used in the cash flow model. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchanges rates, weather, and economic and geopolitical factors.

iii) Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings.

b) Key Sources of Estimation Uncertainty

Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of petroleum and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates, future development costs and the related future cash flows, are subject to measurement uncertainty. Accordingly, the impact to the Financial Statements in future periods could be material.

Amounts recorded for asset retirement obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of abandonment expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

The estimated fair values of derivative financial instruments resulting in financial assets and liabilities, by their very nature are subject to measurement uncertainty.

The estimated fair values of warrants using pricing models such as the Black-Scholes model is based on significant assumptions such as volatility and expected term.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty.

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in these consolidated financial statements.

a) Basis of Consolidation

Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of closing. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the fair value of the consideration transferred over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the fair value of the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of earnings and comprehensive income.

Jointly controlled operations and jointly controlled assets:

Many of the Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b) Exploration and Evaluation Assets ("E&E")

All costs directly associated with the exploration and evaluation of natural gas and liquids reserves are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include land and license acquisition costs, exploratory drilling, geological, geophysical and seismic studies, and other directly attributable costs. Costs incurred prior to acquiring the legal rights to explore an area are expensed.

Exploration and evaluation assets are not depreciated or depleted since the assets are not currently available for use. Technical feasibility and commercial viability are demonstrated when proved and probable reserves are determined to exist. Once technical feasibility and commercial viability have been shown to exist, the asset is transferred to property and equipment. If the cost of the asset is greater than the fair value of the asset, then the costs associated with the asset will be written off.

The cost of undeveloped land that expires during a period and any impairment of intangible exploration assets is recognized as additional depletion and depreciation expense.

c) Property and Equipment ("PP&E")

Property and equipment is carried at cost, less accumulated depletion and depreciation and accumulated impairment losses. The cost of development and production assets include; transfers from exploration and evaluation assets, which generally include the costs to drill the well and the cost of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the wells; facility costs; the cost of recognizing provisions for future asset retirement obligations; geological and geophysical costs; and directly attributable overheads.

Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "(gain) loss on disposition" in earnings.

Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and

natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in operating expenses as incurred.

Depletion and Depreciation

The net carrying value of the development and production assets is depleted using the unit of production method based on estimated proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. These estimates are evaluated by independent reserve engineers at least annually.

Costs associated with office furniture, fixtures, leasehold improvements and information technology are carried at cost and depreciated on a 20 percent declining balance.

Impairment

The carrying amounts of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use or fair value less costs to sell.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

E&E assets are assessed for impairment by CGU when they are reclassified to PP&E, and also if facts and circumstances suggest that the carrying value exceeds the recoverable amount.

An impairment loss is recognized in depletion and depreciation expense if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates of the carrying amount only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depletion and depreciation, if no impairment loss had been recognized.

d) Asset Retirement Obligations (“ARO”)

The Company records a provision to the future cost associated with the legal obligation to abandon and reclaim property and equipment. The cost of the liability related to the Company's ARO is recorded in the period in which it is incurred, with a corresponding increase in the carrying amount of the related asset. The estimated future costs are discounted to their present value using a risk-free interest rate. The capitalized amount is depleted on the unit-of-production method based on proved and probable reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is expensed in the period. Actual expenditures incurred are charged against the obligations to the extent incurred.

e) Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statement of operations and comprehensive earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

f) Stock-Based Compensation Plan

The Company accounts for its stock based compensation plan using the fair value method. Fair value is determined at the grant date using the Modified Black-Scholes option-pricing model and is recognized over the vesting period of the options granted as stock compensation expense and contributed surplus. The contributed surplus balance is reduced as the options are exercised and the amount initially recorded is credited to share capital. Upon the exercise of the stock option, consideration together with the amount previously recognized in contributed surplus, is credited to share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

g) Financial instruments:

Non-derivative financial instruments

Non-derivative financial instruments comprise cash, accounts receivable, bank debt and accounts payable. Non-derivative financial instruments are recognized initially at fair value

net of any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets at fair value through earnings

An instrument is classified at fair value through earnings if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through earnings if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, transaction costs are recognized in earnings when incurred. Financial instruments at fair value through earnings are measured at fair value, and changes therein are recognized in earnings.

Other

Other non-derivative financial instruments, such as accounts receivable, bank debt, and accounts payable, are measured at amortized cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The Company has entered into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all commodities contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through earnings and are recorded on the statement of financial position at fair value. Transaction costs are recognized in earnings when incurred.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through earnings. Changes in the fair value of separable embedded derivatives are recognized immediately in earnings.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

h) Share Amounts

Basic per share information is calculated on the basis of the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated using the treasury stock method. Diluted calculations reflect the weighted average incremental common shares that would be issued upon exercise of dilutive options and warrants assuming proceeds would be used to repurchase shares at average market prices for the period. The treasury method assumes that the proceeds from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price during the period. Anti-dilutive options and warrants are not included in the calculation.

i) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of operations and comprehensive earnings in the period in which they are incurred.

j) Revenue Recognition

Petroleum and natural gas sales are recognized as revenue at the time the respective commodities are delivered to purchasers.

k) Business Combinations

Business combinations are accounted for using the acquisition method. The identifiable net assets acquired are measured at their fair value at the date of acquisition. Any excess of the fair value of the consideration transferred over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the fair value of the consideration transferred below the fair value of the net assets acquired is recorded as a gain in the Statement of Earnings. Transaction costs associated with the acquisition are expensed when incurred.

l) Common Control Transaction

Business combinations involving entities under common control is outside the scope of IFRS 3, Business Combinations. IFRS provides no guidance on the accounting for these types of transactions, however requires an entity to develop an accounting policy. The two most common methods utilized are the acquisition method and the predecessor values method. A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party, both before and after the business combination, and control is not transitory. Management has determined the predecessor values method to be most appropriate. The predecessor method requires the financial statements to be prepared using the predecessor book values without any step up to fair value. The difference between any consideration given and the aggregate book value of the assets and liabilities of the acquired entity is recorded as an adjustment to equity.

4. SUMMARY OF CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following pronouncements from the IASB will become effective for financial reporting periods beginning on or after January 1, 2013 and have not yet been adopted by the Company. All of these new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application:

IFRS 10 - Consolidated Financial Statements builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 11 - Joint Arrangements establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled.

IFRS 12 Disclosure of Interest in Other Entities provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities.

IFRS 13 - Fair Value Measurement defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 27 - Separate Financial Statements revised the existing standard which addresses the presentation of parent company financial statements that are not consolidated financial statements.

IAS 28 - Investments in Associate and Joint Ventures revised the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The IASB has also issued IFRS 9 Financial Instruments, which is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. IFRS 9 is the first step to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The Company has performed a preliminary assessment of the impact of the above new and amended standards and does not currently expect that the adoption of these standards will have a significant impact on the Company's financial statements.

5. COMMON CONTROL TRANSACTION

Raging River commenced active operations on March 16, 2012 following the completion of the Plan of Arrangement among Wild Stream Exploration Inc. ("Wild Stream"), Crescent Point Energy Corp. ("Crescent Point") and the Company. Upon completion of the Plan of Arrangement, Wild Stream shareholders received 1.0 Raging River common share, 0.17 of a common share of Crescent Point and 0.2 of a Raging River purchase warrant. Concurrent with the arrangement, Raging River acquired certain oil-weighted assets (the "Acquired Assets") in the Dodsland area in southwest Saskatchewan. The Acquired Assets were purchased with an effective date of January 1, 2012 and a closing date of March 15, 2012.

As Wild Stream was the parent company of Raging River prior to the completion of the Plan of Arrangement, the acquired assets are accounted for as a common control transaction. As such, the assets acquired and liabilities assumed by Raging River were originally recognized on the date of acquisition at the net book value according to Wild Stream's financial records, as follows:

	$
Prepaid expenses	897
Property and equipment, net accumulated depletion	110,540
Exploration and evaluation assets	30,044
	141,481
Accounts payable	21,392
Bank debt	43,500
Asset retirement obligation	6,815
Deferred tax liability	381
	72,088
Share capital	69,393
	141,481

6. BUSINESS COMBINATIONS

a) Two Private Companies

On December 19, 2012, the Company acquired 100% of the issued and outstanding shares of two private companies, both oil and natural gas exploration and development companies with operations in southwest Saskatchewan for cash of $5.2 million and 8.4 million common shares of Raging River at the closing price of $2.98. Operating results and cash flows were included in the accounts of the Company from December 19, 2012 to December 31, 2012. The transaction has been preliminarily accounted for using the acquisition method with allocation of the purchase price as follows:

Cost of Acquisition:	$
Cash	5,211
Common shares	24,958
Total consideration	30,169
Allocated to estimated fair values:	
Property and equipment	37,661
Exploration and evaluation assets	3,511
Working capital	(1,984)
Deferred income tax liability	(8,335)
Asset retirement obligations	(684)
	30,169

b) Property acquisition

On November 30, 2012, the Company completed a property acquisition consisting of oil and gas assets in the southwest Saskatchewan region. The purchase price paid by Raging River was a total of $35.6 million cash. The property acquisition was accounted for using the acquisition method and preliminarily accounted for as follows:

Cost of Acquisition:

	$
Cash	35,594
Total consideration	35,594

Allocated at estimated fair values:

Property and equipment	37,141
Exploration and evaluation assets	484
Asset retirement obligations	(2,031)
	35,594

c) Property acquisition

On May 4, 2012, the Company completed a property acquisition consisting of oil and gas assets in the southwest Saskatchewan region. The purchase price paid by Raging River was a total of $33.1 million consisting of $27.2 million cash and 2.75 million common shares of Raging River at the closing price of $2.11. The property acquisition was accounted for using the acquisition method and accounted for as follows:

Cost of Acquisition:

	$
Cash	27,179
Common shares	5,803
Total consideration	32,982

Allocated at estimated fair values:

Property and equipment	24,038
Exploration and evaluation	9,764
Asset retirement obligations	(820)
	32,982

d) The Statement of Comprehensive Earnings includes the results of operations for the period following the close of the above business combinations to December 31, 2012.

Revenue contributed by the acquired assets since the date of the acquisitions was $5.1 million. Net operating income contributed by the acquired assets from the date of the acquisitions was $4.0 million. If the acquisitions had occurred on March 16, 2012, the acquired assets would have contributed $13.6 million of revenue (unaudited) and $9.9 million to net operating income (unaudited).

7. EXPLORATION AND EVALUATION ASSETS

Reconciliation of movements in E&E assets:

	Commencement of operations March 16, 2012 to December 31, 2012
	$
Opening balance – March 15, 2012	-
Transferred under common control transaction (note 5)	30,044
Additions	17,110
Dispositions[1]	(2,227)
Transfers to property and equipment	(4,509)
Lease expiries	(87)
Balance as at December 31, 2012	40,331

(1) Dispositions include swaps

E&E assets consist of the Company's undeveloped land and exploration projects which are pending the determination of technical feasibility and commercial viability. Additions and dispositions represent the Company's share of costs incurred and proceeds received on E&E assets during the period. There were no indicators of impairment at December 31, 2012.

During the period ended December 31, 2012, Raging River completed the sale of a combination of minor properties in Saskatchewan for net proceeds of $2.2 million. A $1.5 million gain was recognized on this transaction.

For the period ended December 31, 2012, there were no indicators of impairment identified. Accordingly, an impairment test was not required.

8. PROPERTY AND EQUIPMENT

Reconciliation of movements in property and equipment:

	Office Assets	Oil and Natural Gas Assets	Total
	$	$	$
Opening balance – March 15, 2012			
Transferred under common control transaction (note 5)	-	124,784	124,784
Additions	37	160,407	160,444
Transfers from exploration and evaluation assets (note 7)	-	4,509	4,509
Balance as at December 31, 2012	37	289,700	289,737

Accumulated depletion and depreciation:			
Opening balance – March 15, 2012			
Transferred under common control transaction (note 5)	-	(14,244)	(14,244)
Depletion and depreciation for the period	(3)	(19,132)	(19,135)
Balance at December 31, 2012	(3)	(33,376)	(33,379)
Net book value:			
Balance at December 31, 2012	34	256,324	256,358

The Company has capitalized as part of petroleum and natural gas properties, indirect exploration overhead relating to exploration and development activities of $673 thousand and capitalized stock based compensation of $205 thousand for the period ended December 31, 2012.

Estimated future development costs of $226 million associated with the development of the Company's proved and probable reserves have been included in the depletion calculation and estimated salvage values of $3.9 million have been excluded from the depletion calculation.

For the period ended December 31, 2012, there were no indicators of impairment identified. Accordingly, an impairment test was not required.

9. BANK DEBT

As at December 31, 2012, the Company has a credit facility for $100 million. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties. As at December 31, 2012, the Company is in compliance with all covenants. The authorized borrowing amount is subject to interim reviews by the financial institutions. The next semi-annual review of the credit facility is scheduled on or before May 2013. Amounts borrowed under the credit facility bear interest at a floating rate based on the applicable Canadian prime rate or Banker's Acceptance rate, plus between 0.50% and 3.50%, depending on the type of borrowing and the Company's debt to funds flow ratio.

The credit facility is secured by a general security agreement and a first floating charge debenture in the amount of $150 million covering all the Company's assets. The lender has also registered fixed liens against the Company's major producing wells.

At December 31, 2012, the Company was not drawn on the credit facility.

10. SHARE CAPITAL

a) Authorized

Unlimited number of common shares
Unlimited number of preferred shares

b) Issued

Common Shares	Number of Shares	Amount
		$
Opening balance – March 15, 2012	1	-
Issued on Plan of Arrangement (note 5)	73,720,656	69,393
Issued in exchange for private placement (c)	14,375,000	19,872
Issued on exercise of purchase warrants (c)	14,036,684	22,599
Issued through bought deal financings (note 6 (c))	43,500,000	103,900
Issued for property acquisition – (note 6)	2,750,000	5,803
Issued for corporate acquisitions – (note 6 (a))	8,375,000	24,958
Share issue costs, after future income tax of $1,650	-	(4,632)
Balance, December 31, 2012	156,757,341	241,893

Warrants	Number of Warrants	Amount
		$
Opening balance – March 15, 2012	-	-
Issued on Plan of Arrangement (c)	14,214,132	-
Warrants issued through Plan of Arrangement exercised (c)	(14,036,684)	-
Plan of Arrangement warrants expired	(177,448)	-
Issued through private placement financing (c)	14,375,000	3,272
Balance, December 31, 2012	14,375,000	3,272

c) Shares Issued

On December 19, 2012, the Company completed the acquisition of two private companies through an issuance of $5.2 million cash and 8,375,000 common shares valued at the closing price of $2.98 per share. Refer to note 6 (a).

On December 18, 2012, the Company completed a bought deal financing for gross proceeds of $68.9 million and issued 26 million common shares at a price of $2.65 per common share.

On May 8, 2012, the Company completed a bought deal financing for gross proceeds of $35 million and issued 17.5 million common shares at a price of $2.00 per common share.

On May 4, 2012, the Company issued 2.75 million common shares valued at the closing price of $2.11 per common share as partial consideration for a property acquisition in southwest Saskatchewan.

On March 15, 2012, Raging River completed a private placement of 14.4 million Raging River units at an issuance price of $1.61 per share for gross proceeds of $23.1 million of which $3.3 million was attributed to warrants. Each unit consists of one Raging River common share and one warrant entitling the holder to purchase one Raging Share at an exercise price of $2.00 per share which expires on March 15, 2015.

On March 15, 2012, the Company closed the arrangement agreement whereby 73.7 million Wild Stream shares were converted into 73.7 million Raging River common shares and 14.2 million Raging River common share purchase warrants, each whole purchase warrant entitling the holder to purchase one Raging River common share at an exercise price of $1.61 per share until April 16, 2012.

The purchase warrants were valued on the day of issuance using a Black-Scholes model. Due to the 30 day term, the fair value of the warrants was nominal and therefore not recorded by the Company. In the period March 16, 2012 to April 16, 2012, 14.0 million purchase warrants were exercised for gross proceeds of $22.6 million.

The fair value of the private placement warrants issued were estimated on the date of issue using a Black Scholes pricing model with the following assumptions:

	December 31, 2012
Risk-free interest rate (%)	1.41
Expected life (years)	3
Expected volatility (%)	30
Dividend per share	nil

d) Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period from the commencement of commercial operations on March 16, 2012 to December 31, 2012. The reconciling items between the basic and diluted average common shares outstanding are warrants and stock options.

	Commencement of operations March 16, 2012 to December 31, 2012
(thousands)	
Weighted average shares outstanding	
Basic	118,999
Diluted	121,094

11. STOCK BASED COMPENSATION

The Company accounts for its stock based compensation plan using the fair value method. Under this method compensation is expensed over the vesting period for the stock options, with a corresponding increase to contributed surplus.

The Company has implemented a stock option plan for directors, employees and service providers. Stock options granted under the stock option plan have a maximum term of 3.5 years to expiry. One third of the options granted will vest on each of the first, second and third anniversaries of the date of grant. At December 31, 2012, 6,240,000 options with a weighted average exercise price of $1.93 were outstanding.

The following tables summarize the information about the share options:

	Commencement of operations March 16, 2012 to December 31, 2012	
	Options	Weighted average exercise price
Opening balance – March 15, 2012	-	-
Granted	6,240,000	$1.93
Outstanding at end of period	6,240,000	$1.93
Options exercisable at end of period	-	-

Options Outstanding				Options exercisable	
Exercise price	Number outstanding at December 31, 2012	Weighted average remaining contractual life *(years)*	Weighted average exercise price	Number exercisable at December 31, 2012	Weighted average exercise price
$1.90	6,045,000	2.7	$1.90	-	$1.90
$2.73	95,000	3.4	$2.73	-	$2.73
$2.95	100,000	3.5	$2.95	-	$2.95
$1.90 - $2.95	6,240,000		$1.93	-	$1.93

The weighted average fair value of options granted for the period ended December 31, 2012 is $0.40 per option. The fair market value of each option granted was estimated on the date of issue using the Modified Black-Scholes option-pricing model with the following assumptions.

	December 31, 2012
Risk-free interest rate (%)	1.22 - 1.25
Expected life (years)	3.5
Expected volatility (%)	25 - 46
Dividend per share	nil
Expected forfeiture rate (%)	1

12. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations are based on the Company's net ownership in wells and facilities and management's estimate of costs to abandon and reclaim those wells and facilities as well as an estimate of the future timing of these costs.

The Company has estimated the net present value of its total asset retirement obligations to be $12.6 million at December 31, 2012 based on a total future liability of $24.8 million. Payments to settle asset retirement obligations occur over the operating lives of the underlying assets, estimated to be from 2 to 50 years, with the majority of costs to be incurred between 2030 and

2063. A risk free rate of 2.3 percent and an inflation rate of 2 percent was used to calculate the net present value of the asset retirement obligations. The Company recorded a revision to estimated asset retirement obligations in the period.

	December 31, 2012
	$
Opening balance – March 15, 2012	-
Transferred under common control transaction (note 5)	6,815
Liabilities incurred	1,686
Liabilities acquired	4,131
Liabilities disposed	(948)
Obligations settled	(12)
Revision to estimate	743
Accretion	153
Asset retirement obligation, end of period	12,568

13. INCOME TAXES

The provision for income tax differs from the result which would be obtained by applying the combined Federal and Provincial statutory income tax rates to earnings (loss) before income taxes. This difference results from the following:

	Commencement of operations March 16, 2012 to December 31, 2012
	$
Earnings before income taxes	15,637
Canadian statutory tax rate	26.1%
Expected income tax	4,081
Increase resulting from:	
Stock-based compensation	173
Future rate changes and other	45
Non-deductible expenses	1
Deferred income tax expense (reduction)	4,300

Deferred tax assets and liabilities are attributable to the following:

	December 31, 2012
	$
Deferred income tax assets:	
Asset retirement obligations	3,279
Share issue costs	1,312
Non-capital losses	2,985
Commodity contract liability	(103)
Deferred income tax liabilities:	
Petroleum and natural gas properties	(19,465)
Deferred income taxes	11,992)

The movement in deferred tax balances during the period ended December 31, 2012 is as follows:

	Commencement of operations March 16, 2012 to December 31, 2012	Recognized directly in equity	Recognized in business combinations	Recognized in net earnings (loss)	Balance December 31, 2012
	$	$	$	$	$
Deferred income tax assets:					
Asset retirement obligations	-	-	2,057	1,222	3,279
Share issue costs	-	1,650	-	(338)	1,312
Non-capital losses	-	-	-	2,985	2,985
Commodity contract liability	-	-	-	(103)	(103)
Deferred income tax liabilities:					
Petroleum and natural gas properties	-	-	(11,399)	(8,066)	(19,465)
Deferred income taxes	-	1,650	(9,342)	(4,300)	(11,992)

At December 31, 2012, the Company had non-capital loss carry forwards of $11.4 million that may expire at various times up to 2032. The Company expects to be able to fully utilize these losses.

14. Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is comprised of the following:

	Commencement of operations March 16, 2012 to December 31, 2012
	$
Salaries, bonus and benefits	866
Stock based compensation[1]	451
Total key management remuneration	1,317
Capitalized portion of key management remuneration	(527)
	790

(1) Represents the amortization of the stock based compensation expense associated with the Company's share based compensation plans granted to key management personnel.

15. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital:

	Commencement of operations March 16, 2012 to December 31, 2012
	$
Accounts receivable	(7,117)
Prepaid expenses	239
Accounts payable	8,973
Changes in non-cash working capital	2,095

These changes relate to the following activities

	Commencement of operations March 16, 2012 to December 31, 2012
	$
Operating activities	2,079
Investing activities	16
	2,095

b) Other cash flow information

	Commencement of operations March 16, 2012 to December 31, 2012
	$
Interest paid	408
Interest received	-

16. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to i) deploy capital to provide an appropriate return on investment to its shareholders; ii) maintain financial flexibility in order to preserve our ability to meet financial obligations; and iii) maintain a capital structure that provides financial flexibility to execute strategic acquisitions.

The Company's strategy is designed to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. Raging River considers its capital structure to include share capital, bank debt and working capital. In order to maintain or

adjust its capital structure, the Company may from time to time issue new shares, seek debt financing and adjust its capital spending to manage current and projected debt levels.

In order to facilitate the management of the capital expenditures and net debt, the Company prepares annual budgets which are updated quarterly depending upon varying factors including current and forecast crude oil and natural gas prices, capital expenditures and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company evaluates its capital structure based on the non-GAAP measure of net debt to funds flow from operating activities and the current credit available to Raging River compared to its budgeted capital expenditures. The ratio is calculated as net debt, defined as current debt and working capital excluding commodity derivative assets or liabilities, divided by funds flow from operations. At December 31, 2012 Raging River has a net debt of $15.2 million excluding the fair value of the commodity contracts. Net debt to funds flow provides a measure of the Company's ability to manage its debt levels under current operating conditions.

The Company's current borrowing capacity is based on the lenders' semi-annual review of the Company's oil and natural gas reserves. The Company is also subject to various covenants including a minimum adjusted working capital ratio of 1:1, defined as current assets adjusted for unrealized financial instruments gains or losses and undrawn availability under the credit facility over current liabilities less current portion of bank debt, under its credit facilities. Compliance with these covenants is monitored on a regular basis and at December 31, 2012 the Company was in compliance with its covenants.

The Company's share capital is not subject to external restrictions. Raging River has not paid or declared any dividends and does not contemplate doing so in the foreseeable future. There were no changes to the Company's approach to capital management during the quarter.

17. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's risk management polices are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about Raging River's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

Commodity price risk:

Due to the volatile nature of commodity prices, the Company is potentially exposed to adverse consequences if commodity prices decline. However, if commodity prices are hedged potential upside gains may also be forfeited. The Company attempts to mitigate commodity price risk through the use of financial derivative sales contracts.

The following aggregated contracts were in place as of March 20, 2013:

Commodity	Type	Term	Volume	Price	Index
Crude Oil	Fixed	Jan 2013 – Jun 2013	200 bbls/d	Cdn $97.00/bbl	WTI
Crude Oil	Fixed	Jan 2013 – Jun 2013	200 bbls/d	USD $98.64/bbl	WTI
Crude Oil	Fixed	Feb 2013 – Dec 2013	200 bbls/d	Cdn $92.35/bbl	WTI
Crude Oil	Fixed	Feb 2013 – Dec 2013	200 bbls/d	Cdn $93.27/bbl	WTI
Crude Oil	Fixed	Feb 2013 – Dec 2013	200 bbls/d	Cdn $93.59/bbl	WTI
Crude Oil	Fixed	Feb 2013 – Dec 2013	200 bbls/d	Cdn $93.00/bbl	WTI
Crude Oil	Fixed	Feb 2013 – Dec 2013	200 bbls/d	USD $95.10/bbl	WTI
Crude Oil	Fixed	Feb 2013 – Dec 2013	200 bbls/d	Cdn $98.00/bbl	WTI
Crude Oil	Fixed	Mar 2013 – Dec 2013	200 bbls/d	Cdn $98.80/bbl	WTI
Crude Oil	Collar	Jul 2013 – Dec 2013	200 bbls/d	Cdn $90.00 - $102.00	WTI
Crude Oil	Collar	Feb 2013 – Dec 2013	200 bbls/d	Cdn $95.00 - $104.25	WTI
Crude Oil	Differential	Mar 2013 – Jun 2013	200 bbls/d	Cdn $7.80	WTI
Crude Oil	Differential	Mar 2013 – Jun 2013	200 bbls/d	Cdn $7.00	WTI
Crude Oil	Differential	April 2013	500 bbls/d	Cdn $2.75	WTI
Natural Gas	Fixed	Jan 2013 – Dec 2013	250 GJ's/d	Cdn $3.42/GJ	AECO
Natural Gas	Fixed	Apr 2013 – Dec 2013	250 GJ's/d	Cdn $3.13/GJ	AECO

The contracts in place during the period ended December 31, 2012 resulted in a realized gain of $597 thousand and an unrealized gain of $398 thousand.

Foreign currency exchange risk:

The Company is exposed to foreign currency fluctuations as crude oil and natural gas prices received are referenced in U.S. dollar denominated prices. As of December 31, 2012 the Company did not have any foreign currency exchange contracts in place. The Company manages this exposure through its commodity price risk management.

Credit Risk:

Substantially all of the accounts receivable are with customers, joint interest partners and oil and gas marketers and are subject to normal industry credit risks. Receivables from customers and joint interest partners are generally collected within one to three months. The Company attempts to mitigate this risk by entering into transactions with long-standing and reputable organizations and by obtaining partner approval of significant capital expenditures and payment of cash advances wherever possible. Further risk exists with joint interest partners as disagreements occasionally arise and may increase the potential for non-collection. Currently, there is no indication that amounts are non-collectable thus, an allowance has not been set up. Receivables related to oil and gas marketers are normally collected on the 25th day of the month following production. To mitigate the risk on these receivables the Company will predominately establish relationships with large marketers who have strong credit ratings and solid reputations. Historically, the Company has not experienced any issues in collecting from its oil and gas marketers. In light of the current economic conditions, the Company continues to monitor its accounts receivable and its allowance for doubtful accounts. As at December 31, 2012, the Company's receivables consisted of $8.2 million of receivables from oil and natural gas marketers, $705 thousand from joint venture partners, and $102 thousand of other trade receivables. As at December 31, 2012, the Company has $35 thousand of receivables outstanding greater than 90 days.

Fair Value of financial instruments:

Raging River classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's exposure under its financial instruments is limited to financial assets and liabilities, all of which are included in these financial statements. The fair values of the financial assets and liabilities included in the statement of financial position approximate their carrying amounts.

The fair value of derivative financial instruments is determined by calculating the difference between the contracted price and published forward price curves as at the balance sheet date, and then multiplying this price differential by the contracted commodity volumes. The fair value of commodity contracts as at December 31, 2012 was an asset of $398 thousand. The commodity contracts are classified as level 2 within the fair value hierarchy. If the Canadian dollar equivalent WTI price changes by $1.00 per bbl, net earnings would increase (decrease) by $660 thousand.

Interest Rate Risk:

The Company is exposed to interest rate risk to the extent that bank debt is at a floating or short term rate of interest. The Company does not have any financial or interest rate contracts in place as of December 31, 2012. A 1% change in interest rate does not have a material impact on net income.

Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity through continuously monitoring cash flows from operating activities, review of actual capital expenditure program against budget, managing maturity profiles of financial assets and financial liabilities and managing its commodity price risk management program. These activities assure that the Company has sufficient funds to meet its financial obligations when due.

The following are the contractual maturities of financial liabilities as at December 31, 2012:

	less than 1 year	greater than 1 year
Accounts Payable	34,356	-

18. COMMITMENT

The Company is committed to rent payments for office premises of $1.1 million for the remaining lease term expiring in November 2015.

19. SUBSEQUENT EVENT

Effective March 19, 2013, based upon a recent review of the Borrowing Base, the lender has increased the Company's credit facility to $125 million from $100 million with similar terms. The next review of the Borrowing Base is by September 2013.