RAGING RIVER EXPLORATION INC.
Statement of Financial Position
(unaudited)

(thousands)	September 30, 2016	December 31, 2015
	$	$
ASSETS		
Current assets		
Accounts receivable	35,247	25,086
Commodity contracts (note 14)	-	215
Prepaid expenses	3,794	2,870
	39,041	28,171
Exploration and evaluation assets (notes 4 & 5)	69,785	51,101
Property and equipment (notes 4 & 6)	1,101,582	949,762
	1,210,408	1,029,034
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	79,368	59,002
Commodity contracts (note 14)	750	-
	80,118	59,002
Bank debt (note 7)	99,860	108,897
Asset retirement obligations (note 8)	90,509	64,910
Deferred income tax	62,479	77,012
	332,966	309,821
Shareholders' Equity		
Share capital (note 9)	663,065	512,729
Contributed surplus	16,312	12,646
Retained earnings	198,065	193,838
	877,442	719,213
	1,210,408	1,029,034

Commitments (note 15)

See accompanying notes to the interim financial statements

RAGING RIVER EXPLORATION INC.
Statement of Comprehensive Earnings
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
(thousands except per share data)	$	$	$	$
REVENUE				
Petroleum and natural gas	80,632	63,518	198,541	191,989
Royalties	(7,796)	(5,575)	(19,310)	(18,481)
	72,836	57,943	179,231	173,508
Realized gain (loss) on commodity contracts (note 14)	(89)	993	269	3,342
Unrealized gain (loss) on commodity contracts (note 14)	(621)	1,073	(965)	(1,572)
	72,126	60,009	178,535	175,278
EXPENSES				
Operating	17,379	11,288	43,902	37,878
Transportation	2,502	1,691	6,584	4,996
General and administrative	1,972	1,454	5,610	4,671
Financial charges	1,078	873	2,981	2,638
Stock-based compensation (notes 10 & 11)	1,766	1,357	5,340	4,049
Depletion and depreciation (note 6)	37,752	28,216	103,210	83,092
Exploration and evaluation expense (note 5)	294	-	2,993	2,512
Asset retirement obligation accretion (note 8)	375	287	1,088	794
	63,118	45,166	171,708	140,630
Earnings before income taxes	9,008	14,843	6,827	34,648
Income taxes				
Current tax recovery	-	-	(3,400)	-
Deferred income tax expense	2,250	3,950	6,000	10,850
	2,250	3,950	2,600	10,850
Net earnings and comprehensive earnings	**6,758**	**10,893**	**4,227**	**23,798**
Net earnings per share (note 9 (d))				
Basic	$0.03	$0.05	$0.02	$0.12
Diluted	$0.03	$0.05	$0.02	$0.12

See accompanying notes to the interim financial statements

RAGING RIVER EXPLORATION INC.
Statement of Cash Flows
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
Cash flow related to the following activities:	2016	2015	2016	2015
(thousands)	$	$	$	$
OPERATING				
Net earnings	6,758	10,893	4,227	23,798
Items not involving cash:				
Depletion and depreciation	37,752	28,216	103,210	83,092
Exploration and evaluation expense	294	-	2,993	2,512
Asset retirement obligation accretion	375	287	1,088	794
Stock-based compensation	1,766	1,357	5,340	4,049
Unrealized (gain) loss on commodity contracts	621	(1,073)	965	1,572
Deferred income tax expense	2,250	3,950	6,000	10,850
Asset retirement expenditures	(90)	-	(195)	(23)
	49,726	43,630	123,628	126,644
Change in non-cash operating working capital (note 12)	(701)	5,277	(9,793)	(26,964)
	49,025	48,907	113,835	99,680
FINANCING				
Change in bank debt	58,424	3,886	(9,037)	10,062
Issue of common shares, net	264	1,530	104,311	89,232
	58,688	5,416	95,274	99,294
Cash available for investing activities	107,713	54,323	209,109	198,974
INVESTING				
Capital expenditures – property and equipment	(58,650)	(45,049)	(132,009)	(125,737)
Capital expenditures – exploration and evaluation	(266)	(4,711)	(2,889)	(5,818)
Corporate acquisition (note 4 (a))	(61,263)	-	(61,263)	-
Property acquisition, net (note 4 (b) & (c))	-	-	(25,125)	(35,729)
Change in non-cash investing working capital (note 12)	12,466	(4,563)	12,177	(31,690)
	(107,713)	(54,323)	(209,109)	(198,974)
Change in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	-	-	-	-

See accompanying notes to the interim financial statements

RAGING RIVER EXPLORATION INC.
Statement of Changes in Shareholders' Equity
(unaudited)

(thousands)	Note	Share capital $	Warrants $	Contributed surplus $	Retained earnings $	Total equity $
Balance at January 1, 2016		**512,729**	**-**	**12,646**	**193,838**	**719,213**
Issued through bought deal financing	9 (c)	108,125	-	-	-	108,125
Issued on corporate acquisition	4 (a)	41,148	-	-	-	41,148
Share issue costs, net of tax $1,533	9 (c)	(4,145)	-	-	-	(4,145)
Transfer of contributed surplus	9 (c)	3,343	-	(3,343)	-	-
Issued for cash on exercise of stock options	9 (c)	1,865	-	-	-	1,865
Stock based compensation		-	-	7,009	-	7,009
Net earnings for the period		-	-	-	4,227	4,227
Balance at September 30, 2016		**663,065**	**-**	**16,312**	**198,065**	**877,442**
Balance at January 1, 2015		**321,925**	**595**	**9,545**	**164,919**	**496,984**
Issued through bought deal financing	9 (c)	88,320	-	-	-	88,320
Share issue costs, net of tax $1,239	9 (c)	(3,349)	-	-	-	(3,349)
Warrants exercised	9 (c)	3,562	(595)	-	-	2,967
Transfer of contributed surplus	9 (c)	2,327	-	(2,327)	-	-
Issued for cash on exercise of stock options	9 (c)	2,532	-	-	-	2,532
Stock based compensation		-	-	5,582	-	5,582
Net earnings for the period		-	-	-	23,798	23,798
Balance at September 30, 2015		**415,317**	**-**	**12,800**	**188,717**	**616,834**

See accompanying notes to the interim financial statements

RAGING RIVER EXPLORATION INC.
Notes to the Financial Statements
(unaudited)

For the three and nine months ended September 30, 2016 and 2015

(tabular amounts in thousands of dollars unless otherwise stated)

1. NATURE OF OPERATIONS

Raging River Exploration Inc. ("Raging River" or the "Company") 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 under the symbol "RRX".

The address of its registered office is suite 1700, 605-5th Avenue S.W., Calgary, Alberta T2P 3H5.

2. BASIS OF PREPARATION

Statement of Compliance

The interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2015.

These financial statements were approved and authorized for issue by the Company's Board of Directors on November 8, 2016.

Basis of measurement

The interim financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are described in Note 3 to the December 31, 2015 audited annual financial statements. Those accounting policies have been applied consistently to all periods presented in these interim financial statements.

Future accounting pronouncements

IFRS 15 Revenue from Contracts with Customers, provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the potential impact of the adoption of IFRS 15 on the Company's financial statements.

IFRS 9 Financial Instruments, is intended to replace IAS 39 Financial Instruments: Recognition and Measurement and 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. For financial liabilities designated at fair value through profit or loss, a company can recognize the portion of the change in fair value related to the change in the company's own credit risk through other comprehensive income rather than profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the potential impact of the adoption of IFRS 9 on the Company's financial statements.

IFRS 16 Leases, which replaces IAS 17 Leases was issued in January 2016. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 Revenue from Contracts with Customers. Management is currently assessing the potential impact of the adoption of IFRS 16 on the Company's financial statements.

4. BUSINESS COMBINATIONS

a) On July 21, 2016, the Company closed the acquisition of Rock Energy Inc. ("Rock"), a public oil and gas company with properties primarily in southwest Saskatchewan, by acquiring all of the issued and outstanding shares. The Rock acquisition was completed by way of statutory Plan of Arrangement under the Business Corporations Act (Alberta). Total consideration for the Rock shares was approximately $109.3 million, comprised of 3.9 million common shares of Raging River at a closing price of $10.56 and the assumption of $68.2 million of net debt.

The Rock acquisition has been accounted for as a business combination using the acquisition method of accounting, whereby the assets acquired and the liabilities assumed are recorded at the estimated fair value, except the deferred income tax asset, on the acquisition date of July 21, 2016. The amounts below are estimates, which were made by management at the time of the preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized. The corporate acquisition was preliminarily accounted for as follows:

Net assets at estimated fair values:

Property and equipment	81,280
Exploration and evaluation assets	17,698
Deferred income tax asset	19,000
Asset retirement obligations	(8,670)
	109,308

Cost of acquisition:

	$
Common share consideration	41,148
Debt acquired	61,263
Working capital deficit	6,897
Total consideration	109,308

Pursuant to the closing, the bank debt was repaid and terminated at closing using borrowings available under Raging River's syndicated credit facility.

The Statement of Comprehensive Earnings includes the results of operations for the period following the close of the above business combination to September 30, 2016. Revenue contributed by the acquired assets since the date of the acquisition was $6.3 million. Net operating income (revenue less royalties and operating and transportation expense) contributed by the acquired assets from the date of the acquisition was $3.0 million. If the acquisition had occurred on January 1, 2016, the acquired assets would have contributed $15.5 million of revenue (unaudited) and $2.6 million to net operating income (unaudited). This pro-forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future.

b) On June 30, 2016, 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 $25.1 million prior to closing adjustments. The acquisition had an effective date of September 1, 2016 and the purchase price was adjusted for the results of operations between the effective date and closing date of the transaction. The property acquisition was preliminarily accounted for using the acquisition method and accounted for as follows:

Net assets at estimated fair values:

Property and equipment	22,127
Exploration and evaluation assets	3,290
Asset retirement obligations	(292)
	25,125

Cost of acquisition:

	$
Cash	25,125
Total consideration	25,125

Had the acquisition closed on January 1, 2016, the Company estimates that its pro forma revenue and net earnings for the period would not have been significantly affected.

c) On February 11, 2015, 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 $35.5 million cash after closing adjustments. The acquisition had an effective date of

January 1, 2015 and the purchase price was adjusted for the results of operations between the effective date and closing date of the transaction. The property acquisition was accounted for using the acquisition method and accounted for as follows:

Net assets at estimated fair values:

Property and equipment	34,160
Exploration and evaluation assets	2,376
Asset retirement obligations	(1,024)
	35,512

Cost of acquisition:

	$
Cash	35,512
Total consideration	35,512

Had the acquisition closed on January 1, 2015, the Company estimates that its pro forma revenue and net earnings for the period would not have been significantly affected.

5. EXPLORATION AND EVALUATION ("E&E") ASSETS

Reconciliation of movements in E&E assets:

	September 30, 2016	December 31, 2015
	$	$
Balance, beginning of year	51,101	34,771
Additions	2,889	3,165
Acquired	20,988	22,619
Transfers to property and equipment (note 6)	(2,200)	(6,942)
Lease expiries	(2,993)	(2,512)
Balance, end of period	69,785	51,101

Lease expiries of $3.0 million (year ended December 31, 2015 - $2.5 million) for the nine month period ended September 30, 2016, have been included in exploration and evaluation expense on the Company's Statement of Comprehensive Earnings.

For the period ended September 30, 2016, there were no indicators of impairment identified. Accordingly, an impairment test was not required.

6. PROPERTY AND EQUIPMENT

Reconciliation of movements in property and equipment:

	Office Assets	Oil and Natural Gas Assets	Total
	$	$	$
January 1, 2015	167	875,835	876,002
Additions	28	190,140	190,168
Acquired	-	167,262	167,262
Transfers from exploration and evaluation assets (note 5)	-	6,942	6,942
Balance at December 31, 2015	195	1,240,179	1,240,374
Additions	84	149,338	149,422
Acquired	-	103,408	103,408
Transfers from exploration and evaluation assets (note 5)	-	2,200	2,200
Balance at September 30, 2016	279	1,495,125	1,495,404
Accumulated depletion and depreciation:			
January 1, 2015	(34)	(177,676)	(177,710)
Depletion and depreciation for the year	(32)	(112,870)	(112,902)
Balance at December 31, 2015	(66)	(290,546)	(290,612)
Depletion and depreciation for the period	(29)	(103,181)	(103,210)
Balance at September 30, 2016	(95)	(393,727)	(393,822)
Net book value:			
Balance at December 31, 2015	129	949,633	949,762
Balance at September 30, 2016	184	1,101,398	1,101,582

The Company capitalized $2.1 million of general and administrative costs (year ended December 31, 2015 - $2.7 million) and capitalized stock based compensation of $1.7 million (year ended December 31, 2015 - $2.0 million) for the nine months ended September 30, 2016.

As at September 30, 2016, estimated future development costs of $720 million (December 31, 2015 - $747 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 $29.0 million (December 31, 2015 - $22 million) have been excluded from the depletion calculation.

As at September 30, 2016, there were no indicators of impairment identified. Accordingly, an impairment test was not required.

7. BANK DEBT

	September 30, 2016	December 31, 2015
	$	$
Credit facility	99,860	108,897

As at September 30, 2016, the Company had a credit facility of $300 million comprised of a $20 million non-syndicated operating facility and a $280 million syndicated extendible revolving facility. Repayments of principal are not required provided that the borrowings under the credit facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties. As at September 30, 2016, the Company is in compliance with all covenants. Covenants include reporting requirements, permitted indebtedness, permitted dispositions, permitted hedging, permitted encumbrances and other standard business operating covenants; the Company is not subject to any financial 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 April 2017. 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 1.00% and 3.50%, depending on the type of borrowing and the Company's debt to trailing EBITDA ratio whereby trailing EBITDA is defined as earnings before depreciation, depletion, amortization and accretion, exploration and evaluation expense, share based compensation expense, gain and losses on commodity contracts, interest expense and taxes for the mostly recently completed consecutive four quarters.

The borrowings under the credit facility are available on a fully revolving basis for a period of 364 days until April 27, 2017, at which time the Company can request approval by the lenders for an extension for an additional 364 days or convert the outstanding indebtedness to a one-year term loan with full repayment due at April 28, 2018.

The credit facility is secured by a general security agreement and a first floating charge debenture in the amount of $500 million covering all the Company's assets.

8. 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 $90.5 million at September 30, 2016 (December 31, 2015 - $64.9 million) based on a total future liability of $156 million (December 31, 2015 - $124 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 2065. A risk free rate of 2 percent and an inflation rate of 2 percent was used to calculate the net present value of the asset retirement obligations.

	September 30, 2016	December 31, 2015
	$	$
Asset retirement obligations, beginning of year	64,910	42,460
Liabilities incurred	9,167	9,200
Liabilities acquired – corporate acquisitions	8,670	2,007
Liabilities acquired – property acquisitions	292	1,518
Liabilities settled	(195)	(103)
Revision to estimate	6,577	8,734
Accretion	1,088	1,094
Balance, end of period	90,509	64,910

The Company recorded a revision to estimated asset retirement obligations of $6.6 million (December 31, 2015 - $8.7 million) in the period due to a combination of discounting future cost estimates at a lower rate than in prior periods which resulted in an increase of $3.0 million

(December 31, 2015 - $1.7 million) and the revaluation of asset retirement obligations acquired. Asset retirement obligations acquired as part of an acquisition are initially measured at fair value using a credit-adjusted risk-free rate. The revaluation using a risk-free rate at the end of the period resulted in an increase of $3.6 million (December 31, 2015 - $7.0 million).

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares
Unlimited number of preferred shares

b) Issued

	Number of Shares	Amount
Common Shares		
		$
January 1, 2015	180,332,023	321,925
Issued through bought deal financing (c)	13,800,000	88,320
Issued on corporate acquisition (c)	11,732,858	95,623
Exercise of stock options (c)	5,235,256	7,103
Issued on exercise of warrants (c)	2,320,763	3,562
Shared issue costs, after deferred income tax of $1,407	-	(3,804)
Balance, December 31, 2015	213,420,900	512,729
Issued through bought deal financing (c)	12,500,000	108,125
Issued on corporate acquisition (note 4 (a))	3,896,579	41,148
Exercise of stock options (c)	1,221,321	5,208
Share issue costs, after deferred income tax of $1,533		(4,145)
Balance, September 30, 2016	231,038,800	663,065

	Number of Warrants	Amount
Warrants		
		$
January 1, 2015	2,612,422	595
Exercised (c)	(2,612,422)	(595)
Balance December 31, 2015	-	-
Exercised	-	-
Balance, September 30, 2016	-	-

c) Shares issued

On July 21, 2016, the Company completed the corporate acquisition of Rock through the issuance of 3.9 million common shares valued at the closing price of $10.56 per share. Refer to note 4 (a).

During the nine months ended September 30, 2016, 1.5 million stock options were exercised for 692.3 thousand common shares on a cash-less basis and 529 thousand stock options were exercised for 529 thousand common shares for gross proceeds of $1.9 million.

On March 9, 2016, the Company completed a bought deal financing for gross proceeds of $108.1 million and issued 12.5 million common shares at a price of $8.65 per common share.

During the year ended December 31, 2015, 5.6 million stock options were exercised for 4.0 million common shares on a cash-less basis and 1.2 million stock options were exercised for 1.2 million common shares for proceeds of $2.7 million.

During the year ended December 31, 2015, 1.1 million warrants were exercised for 837 thousand common shares on a cash-less basis and 1.5 million warrants were exercised for 1.5 million common shares for proceeds of $3.0 million.

On February 4, 2015, the Company completed a bought deal financing for gross proceeds of $88.3 million and issued 13.8 million common shares at a price of $6.40 per common share.

d) Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding. The reconciling items between the basic and diluted average common shares outstanding are stock options, restricted share units, performance share units and deferred share units.

	Three months ended September 30,		Nine months ended September 30,	
(thousands)	2016	2015	2016	2015
Weighted average shares outstanding				
Basic	230,227	199,576	224,210	195,923
Diluted	231,154	201,648	224,675	198,099

10. 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 September 30, 2016, 9,077,579 options with a weighted average exercise price of $9.16 were outstanding.

The following tables summarize the information about the share options:

	Nine months ended September 30, 2016		Year ended December 31, 2015	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	9,629,836	$8.18	13,119,738	$5.08
Granted	1,930,500	$9.88	4,020,500	$8.63
Exercised	(2,057,091)	$5.24	(6,825,190)	$2.41
Forfeited	(425,666)	$9.08	(685,212)	$9.04
Outstanding at end of period	9,077,579	$9.16	9,629,836	$8.18
Options exercisable at period end	2,898,068	$9.26	1,876,551	$8.15

	Options outstanding			Options exercisable	
Exercise price	Number outstanding at September 30, 2016	Weighted average remaining contractual life *(years)*	Weighted average exercise price	Number exercisable at September 30, 2016	Weighted average exercise price
$0.00 - $4.00	50,035	0.0	$3.53	50,035	$3.53
$4.01 - $6.00	16,668	0.3	$4.29	16,668	$4.29
$6.01 - $8.00	794,094	1.6	$6.94	165,083	$6.78
$8.01 - $10.00	5,248,615	2.1	$8.88	1,474,965	$8.98
$10.00 - $11.23	2,968,167	2.0	$10.38	1,191,317	$10.26
Total	9,077,579	2.0	$9.16	2,898,068	$9.26

The fair market value of each option granted was estimated on the date of issue using the Black-Scholes option-pricing model with the following assumptions.

	September 30, 2016	December 31, 2015
Risk-free interest rate (%)	0.46 – 0.60	0.46 -1.08
Expected life (years)	3.5	3.5
Expected volatility (%)	39 - 40	39 - 40
Dividend per share	nil	nil
Expected forfeiture rate (%)	4.3	3.0
Weighted average fair value at grant date ($ per option)	2.91	2.55

11. AWARD PLANS

Restricted Share Units ("RSUs")

On May 10, 2016, the shareholders of the Company approved the implementation of the RSU plan. The RSU plan provides for the granting of RSUs to officers, employees and consultants of the Company. The RSUs granted under the plan are to be settled in cash or through the issuance of new common shares at the discretion of the board. One third of the RSUs will vest on each of the first, second and third anniversaries of the date of grant.

Performance Share Units ("PSUs")

On May 10, 2016, the shareholders of the Company approved the implementation of the PSU plan. The PSU plan provides for the granting of PSUs to officers, employees and consultants of the Company. The PSUs granted under the plan are to be settled in cash or through the issuance of new common shares at the discretion of the board. PSUs will vest three years after the grant, unless otherwise determined by the board and are adjusted based on a payout multiplier. The payout multiplier ranges from 0 to 2 and is based on corporate performance measures determined by the board.

Deferred Share Units ("DSUs")

On April 4, 2016, the board approved the adoption of the DSU plan. DSUs are granted to non-employee directors. Each DSU vests on the date of grant, however, settlement of the DSU occurs when the individual ceases to be a director of the Company. DSUs are to be settled in cash or by payment in common shares acquired from the TSX.

This table summarizes the changes in RSUs, PSUs and DSUs outstanding:

	Number of		
	RSUs	PSUs	DSUs
Outstanding at beginning of year	-	-	-
Granted	155,150	248,450	49,712
Released	-	-	-
Forfeited	-	-	-
Outstanding at end of period	155,150	248,450	49,712

RSUs, PSUs and DSUs are measured at fair value using the closing trading price on the date of grant. The resulting stock-based compensation expense is recognized over the vesting period with the corresponding increase to contributed surplus. Upon the exercise, the associated amount in contributed surplus is recorded as an increase to share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of shares that vest.

12. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	$	$	$	$
Accounts receivable	(1,873)	5,089	(4,708)	11,923
Prepaid expenses	589	1,255	(378)	(2,085)
Accounts payable	13,049	(5,630)	7,470	(48,844)
Current taxes payable	-	-	-	(19,648)
Changes in non-cash working capital	11,765	714	2,384	(58,654)

These changes relate to the following activities:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	$	$	$	$
Operating activities	(701)	5,277	(9,793)	(26,964)
Investing activities	12,466	(4,563)	12,177	(31,690)
	11,765	714	2,384	(58,654)

b) Other cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	$	$	$	$
Interest paid	509	513	1,558	1,311
Interest received	5	5	10	22
Current income tax paid	-	-	-	19,648

13. 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 the Company’s 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 debt and working capital excluding commodity contract assets or liabilities, divided by funds flow from operations. At September 30, 2016, Raging River has a net debt of $140.2 million (December 31, 2015 - $139.9 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 reporting requirements, permitted indebtedness, permitted dispositions, permitted hedging, permitted encumbrances and other standard business operating covenants; the Company is not subject to any financial covenants. Compliance with these covenants is monitored on a regular basis and at September 30, 2016, 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. There were no changes to the Company's approach to capital management during the year.

14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's risk management policies 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 November 8, 2016:

2016

Q4

Crude oil	Differential	Oct 2016 – Dec 2016	2,500 bbls/d	Cdn $4.89/bbl	WTI/Edm
Natural gas	Fixed	Oct 2016 – Dec 2016	2,500 GJs/d	Cdn $2.45/GJ	AECO

2017

Q1

Crude oil	Differential	Jan 2017 – Mar 2017	2,000 bbls/d	Cdn $4.25/bbl	WTI/Edm
Natural gas	Fixed	Jan 2017 – Mar 2017	1,000 GJs/d	Cdn $3.00/GJ	AECO

Q2

Crude oil	Differential	Apr 2017 – Jun 2017	3,000 bbls/d	Cdn $4.12/bbl	WTI/Edm
Natural gas	Fixed	Apr 2017 – Jun 2017	500 GJs/d	Cdn $3.00/GJ	AECO

Q3

Crude oil	Differential	Jul 2017 – Sept 2017	2,000 bbls/d	Cdn $4.47/bbl	WTI/Edm
Natural gas	Fixed	Jul 2017 – Sept 2017	500 GJs/d	Cdn $3.00/GJ	AECO

Q4

Crude oil	Differential	Oct 2017 – Dec 2017	2,000 bbls/d	Cdn $4.47/bbl	WTI/Edm
Natural gas	Fixed	Oct 2017 – Dec 2017	500 GJs/d	Cdn $3.00/GJ	AECO

The contracts in place during the nine month period ended September 30, 2016, resulted in a realized gain of $269 thousand (September 30, 2015 – gain of $3.3 million) and an unrealized loss of $965 thousand (September 30, 2015 – loss of $1.6 million).

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 September 30, 2016, 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 September 30, 2016, the

Company's receivables consisted of $29.4 million (December 31, 2015 - $22 million) of receivables from oil and natural gas marketers, $2.4 million (December 31, 2015 - $1.7 million) from joint venture partners, and $3.4 million (December 31, 2015 - $1.4 million) of other trade receivables. As at September 30, 2016, the Company has no material 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 due to the short-term maturity of those instruments.

Raging River's commodity contracts are classified as level 2 within the fair value hierarchy as the contracts are transacted in active markets. 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 September 30, 2016 was a liability of $750 thousand (December 31, 2015 – asset of $215 thousand). If the Canadian dollar equivalent WTI price changes by $1.00 per bbl, net earnings would increase (decrease) by $3.4 million (December 31, 2015 – $3.7 million).

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 September 30, 2016.

As at September 30, 2016, a 1% change in interest rate on the bank debt would increase (decrease) net earnings by $729 thousand (December 31, 2015 – $795 thousand).

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 September 30, 2016:

	less than 1 year	greater than 1 year
	$	
Accounts payable	79,368	-
Commodity contract liability	750	-
Bank debt	-	99,860

15. COMMITMENTS

Raging River is obligated to pay various costs associated with the normal course of business.

As at September 30, 2016, the Company was committed to future minimum payments as follows:

	2016	2017	2018	2019	Thereafter	TOTAL
Processing	867	4,406	4,209	1,127	669	11,278
Transportation	681	2,738	2,969	3,112	322	9,822
Total commitments	1,548	7,144	7,178	4,239	991	21,100