

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

	March 31, 2017	December 31, 2016
<i>(thousands)</i>	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Accounts receivable	47,999	50,783
Prepaid expenses	4,611	3,409
	52,610	54,192
Exploration and evaluation assets (note 4)	72,290	70,260
Property and equipment (note 5)	1,276,100	1,203,280
	1,401,000	1,327,732
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	124,038	95,541
Commodity contracts (note 12)	1,534	377
	125,572	95,918
Bank debt (note 6)	178,047	168,194
Asset retirement obligations (note 7)	106,961	97,846
Deferred income tax	73,054	66,654
	483,634	428,612
<b>Shareholders' Equity</b>		
Share capital (note 8)	663,784	663,677
Contributed surplus	21,189	18,393
Retained earnings	232,393	217,050
	917,366	899,120
	1,401,000	1,327,732

Commitments (note 13)

*See accompanying notes to the interim financial statements*

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

	Three months ended March 31,	
	2017	2016
	\$	\$
<i>(thousands except per share data)</i>		
<b>REVENUE</b>		
Petroleum and natural gas	112,017	50,382
Royalties	(10,685)	(4,908)
	101,332	45,474
Realized gain on commodity contracts (note 12)	273	204
Unrealized gain (loss) on commodity contracts (note 12)	(1,157)	257
	100,448	45,935
<b>EXPENSES</b>		
Operating	21,509	13,449
Transportation	2,970	2,058
General and administrative	2,095	1,889
Financial charges	2,028	1,227
Stock based compensation (note 9)	2,292	1,654
Depletion and depreciation (note 5)	44,154	32,964
Exploration and evaluation (note 4)	3,085	2,197
Asset retirement obligation accretion (note 7)	572	349
	78,705	55,787
<b>Earnings (loss) before income taxes</b>	21,743	(9,852)
<b>Income taxes</b>		
Current tax recovery	-	(2,900)
Deferred income taxes	6,400	900
	6,400	(2,000)
<b>Net earnings (loss) and comprehensive earnings (loss)</b>	15,343	(7,852)
Net earnings (loss) per share (note 8 (d))		
Basic	\$0.07	(\$0.04)
Diluted	\$0.07	(\$0.04)

See accompanying notes to the interim financial statements

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

<b>Cash flow related to the following activities:</b> <i>(thousands)</i>	Three months ended March 31,	
	2017 \$	2016 \$
<b>OPERATING</b>		
Net earnings (loss) and comprehensive earnings (loss)	15,343	(7,852)
Items not involving cash:		
Depletion and depreciation	44,154	32,964
Exploration and evaluation	3,085	2,197
Asset retirement obligation accretion	572	349
Stock-based compensation	2,292	1,654
Unrealized (gain) loss on commodity contracts	1,157	(257)
Deferred income taxes	6,400	900
Asset retirement expenditures	(251)	(51)
	<u>72,752</u>	<u>29,904</u>
Change in non-cash operating working capital (note 10)	6,509	(731)
	<u>79,261</u>	<u>29,173</u>
<b>FINANCING</b>		
Change in bank debt	9,853	(83,666)
Issue of common shares, net	-	102,857
	<u>9,853</u>	<u>19,191</u>
Cash available for investing activities	89,114	48,364
<b>INVESTING</b>		
Capital expenditures – property and equipment	(106,542)	(36,988)
Capital expenditures – exploration and evaluation	(6,143)	(392)
Change in non-cash investing working capital (note 10)	23,571	(10,984)
	<u>(89,114)</u>	<u>(48,364)</u>
<b>Change in cash</b>	-	-
<b>Cash, beginning of period</b>	-	-
<b>Cash, end of period</b>	-	-

*See accompanying notes to the interim financial statements*

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

(thousands)	Note	Share capital \$	Contributed surplus \$	Retained earnings \$	Total equity \$
<b>Balance at January 1, 2017</b>		<b>663,677</b>	<b>18,393</b>	<b>217,050</b>	<b>899,120</b>
Transfer of contributed surplus	8 (c)	107	(107)	-	-
Stock based compensation	9 (c)	-	2,903	-	2,903
Net earnings for the period		-	-	15,343	15,343
<b>Balance at March 31, 2017</b>		<b>663,784</b>	<b>21,189</b>	<b>232,393</b>	<b>917,366</b>
<b>Balance at January 1, 2016</b>		<b>512,729</b>	<b>12,646</b>	<b>193,838</b>	<b>719,213</b>
Issued through bought deal financing	8 (c)	108,125	-	-	108,125
Share issue costs, net of tax \$1,425	8 (c)	(3,852)	-	-	(3,852)
Transfer of contributed surplus	8 (c)	241	(241)	-	-
Issued for cash on exercise of stock options	8 (c)	9	-	-	9
Stock based compensation	9 (c)	-	2,196	-	2,196
Net loss for the period		-	-	(7,852)	(7,852)
<b>Balance at March 31, 2016</b>		<b>617,252</b>	<b>14,601</b>	<b>185,986</b>	<b>817,839</b>

*See accompanying notes to the interim financial statements*

# **RAGING RIVER EXPLORATION INC.**

## **Notes to the Financial Statements**

(unaudited)

For the three months ended March 31, 2017 and 2016

*(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 Toronto Stock Exchange ("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, 2016.

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 8, 2017.

#### *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, 2016 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 standard requires an entity to recognize

revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The standard is required to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by Raging River on January 1, 2018. Management is in the process of reviewing its revenue streams and assessing the potential impact, if any, 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. The standard introduces a single lessee accounting model for leases 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 in the process of reviewing its lease contracts to assess the potential impact of the adoption of IFRS 16 on the Company's financial statements.

#### 4. EXPLORATION AND EVALUATION ("E&E") ASSETS

Reconciliation of movements in E&E assets:

	March 31, 2017	December 31, 2016
	\$	\$
Balance, beginning of year	70,260	51,101
Additions	6,143	4,119
Acquired	-	21,365
Transfers to property and equipment (note 5)	(1,028)	(3,173)
Lease expiries	(3,085)	(3,152)
Balance, end of period	72,290	70,260

Lease expiries of \$3.1 million (year ended December 31, 2016 - \$3.2 million) for the three month period ended March 31, 2017, have been included in exploration and evaluation expense on the Company's Statement of Comprehensive Earnings.

For the period ended March 31, 2017, there were no indicators of impairment identified. Accordingly, an impairment test was not required.

## 5. PROPERTY AND EQUIPMENT

Reconciliation of movements in property and equipment:

	Office Assets	Oil and Natural Gas Assets	Total
	\$	\$	\$
January 1, 2016	195	1,240,179	1,240,374
Additions	98	229,940	230,038
Acquired	-	162,878	162,878
Transfers from exploration and evaluation assets (note 4)	-	3,173	3,173
Balance as at December 31, 2016	293	1,636,170	1,636,463
Additions	4	115,942	115,946
Transfers from exploration and evaluation assets (note 4)	-	1,028	1,028
Balance at March 31, 2017	297	1,753,140	1,753,437
Accumulated depletion and depreciation:			
January 1, 2016	(66)	(290,546)	(290,612)
Depletion and depreciation for the year	(40)	(142,531)	(142,571)
Balance at December 31, 2016	(106)	(433,077)	(433,183)
Depletion and depreciation for the period	(11)	(44,143)	(44,154)
Balance at March 31, 2017	(117)	(477,220)	(477,337)
Net book value:			
Balance at December 31, 2016	187	1,203,093	1,203,280
Balance at March 31, 2017	180	1,275,920	1,276,100

The Company capitalized \$0.8 million of general and administrative costs (year ended December 31, 2016 - \$3.0 million) and capitalized stock based compensation of \$0.6 million (year ended December 31, 2016 - \$2.3 million) for the three months ended March 31, 2017.

As at March 31, 2017, estimated future development costs of \$771 million (December 31, 2016 - \$813 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 \$50 million (December 31, 2016 - \$49 million) have been excluded from the depletion calculation. As at March 31, 2017, there were no indicators of impairment identified. Accordingly, an impairment test was not required.

## 6. BANK DEBT

	March 31, 2017	December 31, 2016
	\$	\$
Credit facilities	178,047	168,194

As at March 31, 2017, the Company had credit facilities of \$400 million comprised of a \$20 million non-syndicated operating facility and a \$380 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 March 31, 2017, 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 October 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 year of 364 days until April 26, 2018, 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 26, 2019.

The credit facilities are secured by a general security agreement and a first floating charge debenture in the amount of \$1 billion covering all the Company's assets.

## 7. 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 \$107 million at March 31, 2017 (December 31, 2016 - \$97.8 million) based on a total future liability of \$195.3 million (December 31, 2016 - \$184.3 million). Payments to settle asset retirement obligations occur over the operating lives of the underlying assets, estimated to be from 10 to 50 years, with the majority of costs to be incurred between 2027 and 2067. A risk free rate of 2.2 percent (December 31, 2016 - 2.3 percent) and an inflation rate of 2 percent (December 31, 2016 - 2 percent) was used to calculate the net present value of the asset retirement obligations.

	March 31, 2017	December 31, 2016
	\$	\$
Asset retirement obligation, beginning of year	97,846	64,910
Liabilities incurred	3,941	16,895
Liabilities acquired	-	11,551
Liabilities settled	(251)	(426)
Revision to estimate	4,853	3,376
Accretion	572	1,540
Balance end of period	106,961	97,846

The Company recorded a revision to the estimated asset retirement obligations in the period due to discounting future cost estimates at a lower rate than in prior periods which resulted in an increase of \$4.9 million (December 31, 2016 - \$3.4 million).



## 8. SHARE CAPITAL

### a) Authorized

Unlimited number of common shares  
Unlimited number of preferred shares

### b) Issued

	Number of Shares	Amount
<b>Common Shares</b>		
		\$
January 1, 2016	213,420,900	512,729
Issued through bought deal financing (c)	12,500,000	108,125
Issued on corporate acquisition (c)	3,896,579	41,148
Exercise of stock options (c)	1,324,472	5,820
Share issue costs, after deferred income tax of \$1,533		(4,145)
Balance, December 31, 2016	231,141,951	663,677
Exercise of stock options (c)	14,495	107
Balance, March 31, 2017	231,156,446	663,784

### c) Shares issued

During the three months ended March 31, 2017, 50.7 thousand stock options were exercised for 14.5 thousand common shares on a cash-less basis.

On July 21, 2016, the Company completed the corporate acquisition of Rock Energy Inc. through the issuance of 3.9 million common shares valued at the closing price of \$10.56 per common share.

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, 2016, 1.8 million stock options were exercised for 795 thousand common shares on a cash-less basis and 529 thousand stock options were exercised for 529 thousand common shares for proceeds of \$1.9 million.

### 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 and performance share units.

	Three months ended March 31,	
	2017	2016
<i>(thousands)</i>		
Weighted average shares outstanding		
Basic	231,152	216,493
Diluted	231,501	216,493

As the Company incurred a net loss for the three months ended March 31, 2016, the basic and diluted weighted average shares are the same for the period.

## 9. STOCK BASED COMPENSATION

### (a) Stock options

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 March 31, 2017, 9,848,094 options with a weighted average exercise price of \$9.29 were outstanding.

The following tables summarize the information about the share options:

	Three months ended March 31, 2017		Year ended December 31, 2016	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	9,370,796	\$9.27	9,629,836	\$8.18
Granted	536,000	\$9.34	2,573,500	\$9.88
Exercised	(50,701)	\$6.72	(2,349,207)	\$5.49
Forfeited	(8,001)	\$7.82	(483,333)	\$9.12
Outstanding at end of period	9,848,094	\$9.29	9,370,796	\$9.27
Options exercisable at period end	3,653,448	\$9.07	3,203,970	\$9.18

Exercise price	Options outstanding			Options exercisable	
	Number outstanding at March 31, 2017	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at March 31, 2017	Weighted average exercise price
\$6.00 - \$8.00	675,642	1.1	\$6.99	438,976	\$6.85
\$8.01 - \$9.00	3,911,948	1.7	\$8.69	1,548,821	\$8.66
\$9.01 - \$10.00	2,098,336	2.1	\$9.44	493,333	\$9.50
\$10.01 - \$11.00	3,134,168	1.6	\$10.40	1,172,318	\$10.26
\$11.00 - \$11.23	28,000	2.9	\$11.23	-	-
Total	9,848,094	1.7	\$9.29	3,653,448	\$9.07

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:

	March 31, 2017	December 31, 2016
Risk-free interest rate (%)	1.02	0.46 – 0.81
Expected life (years)	3.5	3.5
Expected volatility (%)	38	38 - 40
Dividend per share	Nil	Nil
Expected forfeiture rate (%)	5	4
Weighted average fair value at grant date (\$ per option)	2.73	2.90

(b) Share Based Awards

Restricted Share Units (“RSUs”)

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”)

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”)

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	222,550	276,050	63,651
Granted	32,500	5,000	39,027
Released	-	-	-
Forfeited	-	-	-
<b>Outstanding at end of period</b>	<b>255,050</b>	<b>281,050</b>	<b>102,678</b>

(c) Stock based compensation expense reconciliation

	Three months ended March 31,	
	2017	2016
Stock options	1,894	2,196
Share based awards	1,009	-
Capitalized stock based compensation	(611)	(542)
<b>Total stock based compensation expense</b>	<b>2,292</b>	<b>1,654</b>

**10. SUPPLEMENTAL CASH FLOW INFORMATION**

a) Changes in non-cash working capital:

	Three months ended March 31,	
	2017	2016
	\$	\$
Accounts receivable	2,785	4,220
Prepaid expenses	(1,202)	(719)
Accounts payable	28,497	(15,216)
<b>Changes in non-cash working capital</b>	<b>30,080</b>	<b>(11,715)</b>

These changes relate to the following activities:

	Three months ended March 31,	
	2017	2016
	\$	\$
Operating activities	6,509	(731)
Investing activities	23,571	(10,984)
<b>Changes in non-cash working capital</b>	<b>30,080</b>	<b>(11,715)</b>

b) Other cash flow information

	Three months ended March 31,	
	2017	2016
	\$	\$
Interest paid	1,571	670
Interest received	9	2
Current income tax paid	-	-

**11. 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 March 31, 2017, Raging River has a net debt of \$249.5 million (December 31, 2016 - \$209.5 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 March 31, 2017, 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.

## **12. 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 May 8, 2017:

**2017**

**Q2**

Crude oil	Differential	Apr 2017 – Jun 2017	3,000 bbls/d	Cdn \$4.12/bbl	WTI/Edm
Crude oil	Differential	Apr 2017 – Jun 2017	6,000 bbls/d	US\$2.97/bbl	WTI/Edm
Natural gas	Fixed	Apr 2017 – Jun 2017	2,500 GJs/d	Cdn \$3.06/GJ	AECO

**Q3**

Crude oil	Differential	Jul 2017 – Sept 2017	2,000 bbls/d	Cdn \$4.47/bbl	WTI/Edm
Crude oil	Differential	Jul 2017 – Sept 2017	6,000 bbls/d	US\$2.97/bbl	WTI/Edm
Natural gas	Fixed	Jul 2017 – Sept 2017	2,500 GJs/d	Cdn \$3.06/GJ	AECO

**Q4**

Crude oil	Differential	Oct 2017 – Dec 2017	2,000 bbls/d	Cdn \$4.47/bbl	WTI/Edm
Crude oil	Differential	Oct 2017 – Dec 2017	6,000 bbls/d	US\$2.97/bbl	WTI/Edm
Natural gas	Fixed	Oct 2017 – Dec 2017	2,500 GJs/d	Cdn \$3.06/GJ	AECO

The contracts in place during the three month period ended March 31, 2017, resulted in a realized gain of \$273 thousand (March 31, 2016 – gain of \$204 thousand) and an unrealized loss of \$1.2 million (March 31, 2016 – gain of \$257 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 March 31, 2017, 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 March 31, 2017, the Company's receivables consisted of \$38.5 million (December 31, 2016 - \$40.1 million) of receivables from oil and natural gas marketers, \$3.1 million (December 31, 2016 - \$3.8 million)

from joint venture partners, \$6.1 million (December 31, 2016 - \$6.0 million) current income tax receivable and \$0.3 million (December 31, 2016 - \$0.9 million) of other receivables. As at March 31, 2017, the Company has no material trade or joint venture 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 with the exception of the commodity contracts.

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 March 31, 2017 was a liability of \$1.5 million (December 31, 2016 – liability of \$377 thousand). If the Canadian dollar equivalent WTI price changes by \$1.00 per bbl, net earnings would increase (decrease) by \$1.5 million (December 31, 2016 – \$4.8 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 March 31, 2017.

As at March 31, 2017, a 1% change in interest rate on the bank debt would increase (decrease) net earnings by \$1.3 million (December 31, 2016 – \$1.2 million).

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 March 31, 2017:

	less than 1 year	greater than 1 year
	\$	\$
Accounts payable	124,038	-
Commodity contract liability	1,534	-
Bank debt	-	178,047

### 13. COMMITMENTS

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

As at March 31, 2017, the Company was committed to future minimum payments as follows:

	2017	2018	2019	2020	TOTAL
Office lease	693	970	647	-	2,310
Processing	3,307	4,209	1,127	669	9,312
Transportation	2,056	2,969	3,112	322	8,459
Total commitments	6,056	8,148	4,886	991	20,081