

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

	March 31, 2012
<i>(thousands)</i>	\$
ASSETS	
Current assets	
Accounts receivable	1,552
Financial instruments (note 12)	164
Prepaid expenses	1,233
	2,949
Exploration and evaluation assets (notes 4 & 5)	30,006
Property and equipment (notes 4 & 6)	110,234
	143,189
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Accounts payable	8,262
Bank debt (note 7)	29,646
	37,908
Asset retirement obligations (note 9)	6,823
Deferred income tax	818
	45,549
Shareholders' Equity	
Share capital (note 8)	93,985
Warrants (note 8 (b))	3,272
Retained earnings	383
	97,640
	143,189
Nature of operations (note 1 & 4)	
Commitment (note 13)	
Subsequent events (note 14)	

(See accompanying notes to the interim Financial Statements)

RAGING RIVER EXPLORATION INC.
Statement of Operations, Comprehensive
Earnings and Retained Earnings

(unaudited)

Commencement of
operations March
16, 2012 to
March 31, 2012

<i>(thousands except per share data)</i>	\$
REVENUE	
Petroleum and natural gas	1,559
Royalties	(148)
	1,411
Unrealized gain on commodity contracts (note 12)	164
	1,575
EXPENSES	
Operating	306
Transportation	42
General and administrative	68
Financial charges	47
Depletion and depreciation (note 6)	613
Asset retirement obligation accretion	8
	1,084
Earnings before income taxes	491
Deferred income taxes	108
Net earnings and comprehensive earnings	383
Retained earnings, beginning of period	-
Retained earnings, end of period	383
Net earnings per share (note 8 (d))	
Basic	0.00
Diluted	0.00

(See accompanying notes to the interim Financial Statements)

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

Commencement of
operations March
16, 2012 to
March 31, 2012

Cash flow related to the following activities:	\$
<i>(thousands)</i>	
OPERATING	
Net earnings	383
Items not involving cash:	
Depletion and depreciation	613
Asset retirement obligation accretion	8
Unrealized gain on commodity contracts	(164)
Deferred income taxes	108
	948
Change in non-cash operating working capital (note 10)	(3,088)
	(2,140)
FINANCING	
Change in bank debt	(13,854)
Issues of shares and warrants, net	27,855
	14,001
Cash available for investing activities	11,861
INVESTING	
Capital expenditures – property and equipment	(72)
Change in non-cash investing working capital (note 10)	(11,789)
	(11,861)
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 Equity
(unaudited)

	Note	Share capital	Warrants	Retained earnings	Total equity
(thousands)		\$	\$	\$	\$
Balance at March 15, 2012		-	-	-	-
Issued on Plan of Arrangement	8(b)	69,393	-	-	69,393
Issued through private placement		19,872	3,272		23,144
Warrants exercised	8(c)	4,742	-	-	4,742
Share issue costs, net of tax \$8	8(b)	(22)	-	-	(22)
Net earnings for the period		-	-	383	383
Balance at March 31, 2012		93,985	3,272	383	97,640

(See accompanying notes to the interim Financial Statements)

RAGING RIVER EXPLORATION INC.

Notes to the Financial Statements

For the interim period ended March 31, 2012
(unaudited)

(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 is provided as the statement of financial position is shown in thousands.

Refer to note 4 for description of the common control transaction.

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

Statement of Compliance

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. This is the first reporting period for the Company and, as such, there are no comparative figures for 2011.

These interim financial statements were approved and authorized for issue by the Company's Board of Directors on May 28, 2012.

Basis of measurement

The 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 Interim 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. Significant estimates and judgments made by management in the preparation of these Interim Financial Statements are as follows:

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 judgement. 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.

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 Interim 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 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 cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of operations and comprehensive earnings.

Jointly controlled operations and jointly controlled assets:

Many of the Company's oil and natural gas activities involve jointly controlled assets. The 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 Financial Statements.

b) Property and Equipment

Property and equipment is carried at cost, less accumulated depletion and depreciation and accumulated impairment losses. The cost of development and production assets includes; 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 income.

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.

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.

c) Exploration and Evaluation Assets

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 licence 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 carrying value of the asset, then the costs associated with the asset will be written off.

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 fair value 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 the Company's 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.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. A deferred liability is recognized for the premium on the flow-through shares and is subsequently reversed as the Company incurs qualifying expenditures. Any difference between the deferred liability set up for the premium on the flow-through shares and the tax effect on the renounced expenditures is recognized in profit or loss.

g) Stock-Based Compensation Plan

The Company will account 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 paid by employees or directors 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.

h) Financial instruments:

Non-derivative financial instruments

Non-derivative financial instruments comprise cash, accounts receivables, 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.

Cash and Cash Equivalents

Cash and cash equivalents include bank balances and highly liquid temporary money market instruments with original maturities of three months or less.

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.

Compound instruments

Compound instruments are separated into their liability and equity components using the effective interest rate method. The liability component accretes up to the principal balance at maturity. The equity component will be reclassified to share capital on conversions. Any balance in equity that remains after the settlement of the liability is transferred to contributed surplus. The equity portion is recognized net of deferred income taxes.

Other

Other non-derivative financial instruments, such as accounts receivable, bank debt, accounts payable and accrued liabilities, 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 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.

i) 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. Anti-dilutive options and warrants are not included in the calculation.

j) 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.

k) Revenue Recognition

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

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 are recorded as an adjustment to equity.

4. **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 common 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 the Wild Stream’s financial records, as follows:

Prepaid expenses	897
Property and equipment	110,737
Exploration and evaluation assets	30,044
	<hr/> 141,678
Accounts payable	21,252
Bank debt	43,500
Asset retirement obligation	6,815
Deferred tax liability	718
	<hr/> 72,285
Share capital	69,393
	<hr/> 141,678

5. **EXPLORATION AND EVALUATION ASSETS (“E&E”)**

Reconciliation of movements in E&E assets:

	Commencement of operations March 16, 2012 to March 31, 2012
	\$
Balance, beginning of the period	-
Transferred under common control transaction (note 4)	30,044
Additions	-
Transfers to property and equipment	(38)
Balance as at March 31, 2012	30,006

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.

Amortization and impairment charge:

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.

6. **PROPERTY AND EQUIPMENT**

Reconciliation of movements in property and equipment:

	Commencement of operations March 16, 2012 to March 31, 2012
	\$
Balance, beginning of the period	-
Transferred under common control transaction (note 4)	124,981
Additions	72
Transfers from exploration and evaluation assets	38
Divestitures	-
Balance as at March 31, 2012	125,091
Accumulated depletion and depreciation:	
Transferred under common control transaction (note 4)	(14,244)
Depletion and depreciation for the period	(613)
Balance at March 31, 2012	(14,857)
Net book value:	
Balance at March 31, 2012	110,234

The Company has capitalized as part of petroleum and natural gas properties, indirect exploration overhead relating to exploration and development activities of \$13 thousand for the period ended March 31, 2012.

Estimated future development costs associated with the development of the Company's proved and probable reserves of \$106.2 million have been included in the depletion calculation and estimated salvage values of \$2.1 million have been excluded from the depletion calculation.

7. BANK DEBT

On March 15, 2012 the Company entered into a credit facility of \$45 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 March 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 September 1, 2012. 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 March 31, 2012, the Company had drawn \$29.6 million from the revolving facility.

On May 25, 2012, the Company increased its revolving credit facility to \$65 million from \$45 million.

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares
Unlimited number of preferred shares

b) Issued

	Number of Shares	Amount
Common Shares		
		\$
Opening balance – March 15, 2012	1	-
Issued on Plan of Arrangement (note 5)	73,720,658	69,393
Issued in exchange for private placement (c)	14,375,000	19,872
Issued on exercise of purchase warrants (c)	2,945,382	4,742
Share issue costs, after future income tax of \$8	-	(22)
Balance, March 31, 2012	91,040,041	93,985

	Number of Warrants	Amount
Warrants		
		\$
Opening balance – March 15, 2012	-	-
Issued on Plan of Arrangement (c)	14,214,132	-
Issued through private placement financing (c)	14,375,000	3,272
Warrants issued through Plan of Arrangement exercised (c)	(2,945,382)	-
Balance, March 31, 2012	25,670,750	3,272

c) Shares Issued

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 14.3 million Raging River common share purchase warrants, each whole purchase warrant entitling the holder to purchase one Raging River share at an exercise price of \$1.61 per share until April 16, 2012.

The 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 March 31, 2012, 2,945,382 purchase warrants were exercised for gross proceeds of \$4.7 million.

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. 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.

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:

	March 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 March 31, 2012.

The reconciling item between the basic and diluted average common shares outstanding are purchase warrants and warrants.

March 31, 2012

<i>(thousands)</i>	
Weighted average shares outstanding	
Basic	88,416
Diluted	94,342

9. **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 the costs to be incurred.

The Company has estimated the present value of its total asset retirement obligations to be \$6.8 million at March 31, 2012 based on a total future liability of \$8.2 million. Payments to settle asset retirement obligations occur over the operating lives of the underlying assets, estimated to be from 2 to 60 periods, with the majority of costs incurred between 2030 and 2052. A risk free rate of 2.7 percent and an inflation rate of 2 percent was used to calculate the fair value of the asset retirement obligations.

	March 31, 2012
	\$
Balance, beginning of the period	-
Transferred under common control transaction (note 4)	6,815
Liabilities incurred	-
Liabilities settled	-
Accretion	8
Asset retirement obligation, end of period	6,823

10. **SUPPLEMENTAL CASH FLOW INFORMATION**

a) Changes in non-cash working capital:

	Commencement of operations March 16, 2012 to March 31, 2012
	\$
Accounts receivable	(1,552)
Prepaid expenses	(336)
Accounts payable	(12,989)
Changes in non-cash working capital	(14,877)

These changes relate to the following activities

	Commencement of operations March 16, 2012 to March 31, 2012
	\$
Operating activities	(3,088)
Investing activities	(11,789)
	<u>(14,877)</u>

b) Other cash flow information

	Commencement of operations March 16, 2012 to March 31, 2012
	\$
Interest paid	31
Interest received	<u>-</u>

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 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 as necessary 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. At March 31, 2012 Raging River has a net debt of \$35.1 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 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.

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 March 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.

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 by quarter were in place as of May 28, 2012:

Commodity Type Term Volume Price Index

Commodity	Type	Term	Volume	Price	Index
Crude Oil	Fixed	Apr 2012 – Dec 2012	100 bbls/d	Cdn \$104.45bbl	WTI
Crude Oil	Fixed	Apr 2012 – Dec 2012	100 bbls/d	Cdn \$106.90bbl	WTI
Crude Oil	Fixed	Apr 2012 – Jun 2012	100 bbls/d	Cdn \$109.98bbl	WTI
Crude Oil	Fixed	Jul 2012 – Sep 2012	100 bbls/d	Cdn \$110.11bbl	WTI

The contracts in place during the period ended March 31, 2012 resulted in an unrealized gain of \$164 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, 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 March 31, 2012 the Company's receivables consisted of \$1.6 million from oil and gas marketers. As at March 31, 2012 there were no 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.

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, 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 March 31, 2012:

	<u>less than 1 year</u>	<u>greater than 1 year</u>
Bank debt	29,646	-
Accounts payable	8,262	-

13. **COMMITMENT**

The Company is committed to rent payments for office premises of \$303 thousand for 2012 and \$1.1 million for the remaining lease term expiring in November 2015.

14. **SUBSEQUENT EVENTS**

a) Property Acquisition

On May 4, 2012, the Company completed the acquisition of operated producing oil and gas assets and undeveloped land in the Dodsland area of southwest Saskatchewan from an energy producer. The Company paid \$30.5 million consisting of \$25 million of cash and the issuance of 2.75 million special warrants of Raging River.

b) Financing

On May 8, 2012, the Company completed a bought deal financing for gross proceeds of \$35 million and issued 17.5 million special warrants at a price of \$2.00 per special warrant.

c) Warrant exercises

Subsequent to March 31, 2012 to April 16, 2012, 11.1 million purchase warrants were exercised for gross proceeds of \$17.9 million. As at April 16, 2012, 177 thousand warrants expired.

d) Prospectus

On May 17, 2012, the Company filed a Final Prospectus qualifying the distribution of the 20.25 million common shares of the Company pursuant to the 17.5 million special warrants issued in the financing and the 2.75 million special warrants issued in the property acquisition.

e) Credit Facility

On May 25, 2012, the Company increased its revolving credit facility to \$65 million from \$45 million.