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

(thousands)	September 30, 2013 $	December 31, 2012 $
ASSETS		
Current assets		
Cash	-	9,416
Accounts receivable	20,931	8,995
Financial instruments (note 14)	-	398
Prepaid expenses	696	789
	21,627	19,598
Exploration and evaluation assets (notes 4, 5 & 6)	33,066	40,331
Property and equipment (notes 4, 5 & 7)	334,541	256,358
	389,234	316,287
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	57,977	34,356
Financial instruments (note 14)	4,071	-
Bank debt (note 8)	6,096	-
	68,144	34,356
Asset retirement obligations (note 11)	13,523	12,568
Deferred income tax	21,249	11,992
	102,916	58,916
Shareholders' Equity		
Share capital (note 9)	241,893	241,893
Warrants (note 9)	3,272	3,272
Contributed surplus (note 9 (d))	3,026	869
Retained earnings	38,127	11,337
	286,318	257,371
	389,234	316,287

Nature of operations (notes 1 & 4)
Subsequent events (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,	
	2013	2012	2013	2012
(thousands except per share data)	$	$	$	$
REVENUE				
Petroleum and natural gas	50,287	15,038	119,702	28,200
Royalties	(4,634)	(1,506)	(10,615)	(2,768)
	45,653	13,532	109,087	25,332
Realized gain (loss) on commodity contracts (note 14)	(3,996)	7	(4,142)	357
Unrealized gain (loss) on commodity contracts (note 14)	(1,863)	(279)	(4,468)	273
	39,794	13,260	100,477	25,962
EXPENSES				
Operating	6,545	2,354	17,100	4,880
Transportation	1,053	330	2,901	642
General and administrative	966	486	2,557	1,172
Gain on sale	-	-	-	(1,468)
Financial charges	169	100	553	286
Stock-based compensation (note 10)	641	270	1,566	388
Depletion and depreciation (note 6 & 7)	14,369	5,952	38,758	11,067
Asset retirement obligation accretion (note 11)	89	45	245	100
	23,832	9,537	63,680	17,067
Earnings before income taxes	15,962	3,723	36,797	8,895
Income taxes				
Current taxes	750	-	750	-
Deferred taxes	3,474	1,075	9,257	2,501
	4,224	1,075	10,007	2,501
Net earnings and comprehensive earnings	**11,738**	**2,648**	**26,790**	**6,394**
Net earnings per share (note 9 (e))				
Basic	$0.07	$0.02	$0.17	$0.06
Diluted	$0.07	$0.02	$0.16	$0.06

(See accompanying notes to the interim financial statements)

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

Cash flow related to the following activities:	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
(thousands)	$	$	$	$
OPERATING				
Net earnings	11,738	2,648	26,790	6,394
Items not involving cash:				
Depletion and depreciation	14,369	5,952	38,758	11,067
Asset retirement obligation accretion	89	45	245	100
Stock-based compensation	641	270	1,566	388
Gain on sale	-	-	-	(1,468)
Unrealized (gain) loss on commodity contracts	1,863	279	4,468	(273)
Deferred taxes	3,474	1,075	9,257	2,501
	32,174	10,269	81,084	18,709
Change in non-cash operating working capital (note 12)	(3,730)	(519)	(14,226)	(5,711)
	28,444	9,750	66,858	12,998
FINANCING				
Change in bank debt	(526)	7,280	6,096	(35,892)
Issues of shares, net	-	-	-	78,425
	(526)	7,280	6,096	42,533
Cash available for investing activities	27,918	17,030	72,954	55,531
INVESTING				
Capital expenditures – property and equipment	(59,891)	(27,125)	(105,888)	(48,312)
Capital expenditures – exploration and evaluation	(293)	(145)	(2,485)	(10,606)
Change in non-cash investing working capital (note 12)	32,266	10,240	26,003	3,387
	(27,918)	(17,030)	(82,370)	(55,531)
Change in cash	-	-	(9,416)	-
Cash, beginning of period	-	-	9,416	-
Cash, end of period	-	-	-	-

(See accompanying notes to the interim financial statements)

RAGING RIVER EXPLORATION INC.
Statement of Equity
(unaudited)

(thousands)	Note	Share capital $	Warrants $	Contributed surplus $	Retained earnings $	Total equity $
Balance at March 15, 2012		**-**	**-**	**-**	**-**	**-**
Issued on Plan of Arrangement	4	69,393	-	-	-	69,393
Issued through private placement	9 (c)	19,872	3,272	-	-	23,144
Issued through bought deal financing	9 (c)	35,000	-	-	-	35,000
Issued on property acquisition	9 (c)	5,803	-	-	-	5,803
Warrants exercised	9 (c)	22,599	-	-	-	22,599
Stock based compensation		-	-	509	-	509
Share issue costs, net of tax $634	9 (c)	(1,709)	-	-	-	(1,709)
Net earnings for the period		-	-	-	6,394	6,394
Balance at September 30, 2012		150,958	3,272	509	6,394	161,133
Balance at December 31, 2012		241,893	3,272	869	11,337	257,371
Stock based compensation		-	-	2,157	-	2,157
Net earnings for the period		-	-	-	26,790	26,790
Balance at September 30, 2013		**241,893**	**3,272**	**3,026**	**38,127**	**286,318**

(See accompanying notes to the interim financial statements)

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

For the interim periods ended September 30, 2013 and September 30, 2012
(tabular amounts in thousands of dollars unless otherwise stated)

1. NATURE OF OPERATIONS

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

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

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

The comparative operations below for the nine months ended September 30, 2012 reflects only a 198 day period as active operations commenced on March 16, 2012.

2. BASIS OF PREPARATION

Statement of Compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The interim financial statements should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

These interim financial statements were approved by the Board of Directors on November 14, 2013.

Basis of measurement

The interim 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.

Use of estimates and judgments

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these financial statements are outlined in note 2 of the December 31, 2012 annual consolidated financial statements. There have been no significant changes in the Company's critical accounting estimates and judgments applied during the interim period ended September 30, 2013 relative to the most recent annual consolidated financial statements as at December 31, 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared following the same accounting policies and methods of computation as the most recent annual consolidated financial statements as at and for the year ended December 31, 2012, except as noted below. Significant accounting policies are described in note 3 of the December 31, 2012 annual consolidated financial statements.

The Company has adopted the following new and revised standards effective January 1, 2013:

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

The Company assessed the consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS did not result in any change the consolidation status of any of its subsidiaries.

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

The Company has classified its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

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

The adoption of IFRS 13 did not require any changes to valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IFRS 7 - These amendments to IFRS 7 introduce new disclosure requirements about the effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The disclosures will provide user with information that may be useful in evaluating the effect of any netting arrangements in an entity's financial position.

The adoption of IFRS 7 did not require any changes as the Company does not have significant offsetting arrangements.

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 of a common share of Crescent Point and 0.2 of a Raging River purchase warrant. Concurrent with the arrangement, Raging River acquired certain oil-weighted assets (the "Acquired Assets") in the Dodsland area in southwest Saskatchewan. The Acquired Assets were purchased with an effective date of January 1, 2012 and a closing date of March 15, 2012.

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

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

5. BUSINESS COMBINATIONS

a) Two Private Companies

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

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

b) Property acquisition

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

Cost of Acquisition:

	$
Cash	35,594
Total consideration	35,594
Allocated at estimated fair values:	
Property and equipment	37,141
Exploration and evaluation assets	484
Asset retirement obligations	(2,031)
	35,594

c) Property acquisition

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

Cost of Acquisition:

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

Allocated at estimated fair values:

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

d) The Statement of Comprehensive Earnings includes the results of operations for the period following the close of the above business combinations to December 31, 2012. Revenue contributed by the acquired assets since the date of the acquisitions was $5.1 million. Net operating income contributed by the acquired assets from the date of the acquisitions was $4.0 million. If the acquisitions had occurred on March 16, 2012, the acquired assets would have contributed $13.6 million of revenue (unaudited) and $9.9 million to net operating income (unaudited).

6. EXPLORATION AND EVALUATION ASSETS

	September 30, 2013	December 31, 2012
	$	$
Net carrying value, beginning of period	40,331	-
Transferred under common control transaction (note 4)	-	30,044
Additions	2,485	17,110
Dispositions[1]	-	(2,227)
Transfers to property and equipment (note 7)	(8,565)	(4,509)
Lease expiries	(1,185)	(87)
Net carrying value, end of period	33,066	40,331

(1) Dispositions include swaps

E&E assets consist of the Company’s undeveloped land and exploration projects which are pending the determination of technical feasibility and commercial viability. Additions and dispositions represent the Company’s share of costs incurred and proceeds received on E&E assets during the period. Lease expiries of $1.2 million for the nine months ended September 30, 2013 have been included in depletion and depreciation on the interim statement of comprehensive earnings.

For the period ended September 30, 2013, there were no indicators of impairment identified. Accordingly, an impairment test was not required.

7. PROPERTY AND EQUIPMENT

	Office Assets	Oil and Natural Gas Assets	Total
	$	$	$
Opening balance – March 15, 2012			
Transferred under common control transaction (note 4)	-	124,784	124,784
Additions	37	160,407	160,444
Transfers from exploration and evaluation assets (note 6)	-	4,509	4,509
Balance as at December 31, 2012	37	289,700	289,737
Additions	5	107,185	107,190
Transfers from exploration and evaluation assets (note 6)	-	8,565	8,565
Balance at September 30, 2013	42	405,450	405,492
Accumulated depletion and depreciation:			
Opening balance – March 15, 2012			
Transferred under common control transaction (note 4)	-	(14,244)	(14,244)
Depletion and depreciation for the period	(3)	(19,132)	(19,135)
Balance at December 31, 2012	(3)	(33,376)	(33,379)
Depletion, depreciation and amortization	(6)	(37,566)	(37,572)
Balance at September 30, 2013	(9)	(70,942)	(70,951)
Net book value:			
Balance at December 31, 2012	34	256,324	256,358
Balance at September 30, 2013	33	334,508	334,541

The Company has capitalized as part of petroleum and natural gas properties, indirect exploration overhead relating to exploration and development activities of $787 thousand (September 30, 2012 - $366 thousand) and capitalized stock based compensation of $591 thousand (September 30, 2012 – $121 thousand) for the nine months ended September 30, 2013.

Estimated future development costs of $195 million (December 31, 2012 - $226 million) associated with the development of the Company's proved and probable reserves have been included in the depletion calculation and estimated salvage values of $5.5 million (December 31, 2012 - $3.9 million) have been excluded from the depletion calculation.

As at September 30, 2013, there were no indicators of impairment identified. Accordingly, an impairment test was not required.

8. BANK DEBT

The following table summarizes bank debt outstanding:

	September 30, 2013	December 31, 2012
	$	$
Credit facility	6,096	-

As at September 30, 2013, the Company has a demand credit facility for $125 million (December 31, 2012 - $100 million). Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties. As at September 30, 2013, 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 April 2014. 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. Refer to note 15 (c).

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.

9. 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 4)	73,720,656	69,393
Issued in exchange for private placement (c)	14,375,000	19,872
Issued on exercise of purchase warrants (c)	14,036,684	22,599
Issued through bought deal financings (c)	43,500,000	103,900
Issued for property acquisition (note 5 (c))	2,750,000	5,803
Issued for corporate acquisitions (note 5 (a))	8,375,000	24,958
Share issue costs, after future income tax of $1,650	-	(4,632)
Balance as at September 30, 2013 and December 31, 2012	156,757,341	241,893

	Number of Warrants	Amount
Warrants		
		$
Opening balance – March 15, 2012	-	-
Issued on Plan of Arrangement (c)	14,214,132	-
Warrants issued through Plan of Arrangement exercised (c)	(14,036,684)	-
Plan of Arrangement warrants expired	(177,448)	-
Issued through private placement financing (c)	14,375,000	3,272
Balance as at September 30, 2013 and December 31, 2012	14,375,000	3,272

c) Shares Issued

On December 19, 2012, the Company completed the acquisition of two private companies through an issuance of $5.2 million cash and 8,375,000 common shares valued at the closing price of $2.98 per share. Refer to note 5 (a).

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

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

On May 4, 2012, the Company issued 2.75 million common shares valued at the closing price of $2.11 per common share as partial consideration for a property acquisition in southwest Saskatchewan. Refer to Note 5 (c).

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

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

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

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

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

d) Contributed Surplus

	Nine months ended September 30, 2013	December 31, 2012
	$	$
Balance, beginning of period	869	-
Stock based compensation expense	1,566	663
Stock based compensation capitalized	591	206
Balance, end of period	3,026	869

e) 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 warrants and stock options.

(thousands)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Weighted average shares outstanding				
Basic	156,757	122,382	156,757	115,212
Diluted	169,485	123,437	167,186	115,854

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, 2013, 9,746,925 options with a weighted average exercise price of $2.51 were outstanding. The following tables summarize the information about the share options:

	Nine months ended September 30, 2013		Commencement of operations March 16, 2012 to December 31, 2012	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of period	6,240,000	$1.93	-	-
Granted	3,506,925	$3.54	6,240,000	$1.93
Forfeited	-	-	-	-
Outstanding at end of period	9,746,925	$2.51	6,240,000	$1.93
Options exercisable at period end	2,003,333	$1.90	-	-

	Options Outstanding				Options exercisable	
Exercise price	Number outstanding at September 30, 2013	Weighted average remaining contractual life *(years)*	Weighted average exercise price		Number exercisable at September 30, 2013	Weighted average exercise price
$1.90	6,010,000	2.2	$1.90		2,003,333	$1.90
$2.73 - $2.95	170,000	2.7	$2.83		-	-
$3.07 - $3.15	300,000	2.8	$3.14		-	-
$3.53 - $3.80	3,216,925	3.1	$3.54		-	-
$4.24 - $4.33	50,000	3.3	$4.29			
$1.90 - $4.33	9,746,925	2.5	$2.51		2,003,333	$1.90

The weighted average fair value of options granted in the nine months ended September 30, 2013 is $0.72 (September 30, 2012 - $0.38) per option. The fair market value of each option granted was estimated on the date of issue using the modified Black-Scholes option-pricing model with the following assumptions.

	September 30, 2013	December 31, 2012
Risk-free interest rate (%)	1.13 – 1.57	1.22 – 1.25
Expected life (years)	3.5	3.5
Expected volatility (%)	46 - 49	25-46
Dividend per share	nil	nil
Expected forfeiture rate (%)	1	1

11. 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 $13.5 million at September 30, 2013 (December 31, 2012 - $12.6 million) based on a total future liability of $31.4 million (December 31, 2012 - $24.8). Payments to settle asset retirement obligations occur over the operating lives of the underlying assets, estimated to be from 2 to 50 years, with the majority of costs to be incurred between 2030 and 2063. A risk free rate of 3.1 percent and an inflation rate of 2 percent was used to calculate the net present value of the asset retirement obligations. The Company recorded a revision to estimated asset retirement obligations in the period due to discounting the costs at a higher risk-free rate at September 30, 2013 relative to the rate applied at December 31, 2012.

	September 30, 2013	December 31, 2012
	$	$
Asset retirement obligation, beginning of period	12,568	-
Transferred under common control transaction (note 4)	-	6,815
Liabilities incurred	3,132	1,686
Liabilities acquired	-	4,131
Liabilities disposed	-	(948)
Obligations settled	-	(12)
Revision to estimate	(2,422)	743
Accretion	245	153
Asset retirement obligation, end of period	13,523	12,568

12. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	$	$	$	$
Accounts receivable	(10,195)	(2,174)	(11,936)	(6,210)
Prepaid expenses	(11)	244	93	(318)
Accounts payable	38,742	11,651	23,620	4,204
Changes in non-cash working capital	28,536	9,721	11,777	(2,324)

These changes relate to the following activities

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	$	$	$	$
Operating activities	(3,730)	(519)	(14,226)	(5,711)
Investing activities	32,266	10,240	26,003	3,387
	28,536	9,721	11,777	(2,324)

b) Other cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	$	$	$	$
Interest paid	347	142	515	261
Interest received	1	-	1	-

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 our ability to meet financial obligations; and iii) maintain a capital structure that provides financial flexibility to execute strategic acquisitions.

The Company's strategy is designed to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. Raging River considers its capital structure to include share capital, bank debt and working capital. In order to maintain or adjust its capital structure, the Company may from time to time issue new shares, seek debt financing and adjust its capital spending to manage current and projected debt levels.

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

The Company evaluates its capital structure based on the non-GAAP measure of net debt to funds flow from operating activities and the current credit available to Raging River compared to its budgeted capital expenditures. The ratio is calculated as net debt, defined as current debt and working capital excluding commodity derivative assets or liabilities, divided by funds flow from operations. At September 30, 2013 Raging River has net debt of $42.4 million (December 31, 2012 - $15.2 million) excluding the fair value of the commodity contracts. Net debt to funds flow provides a measure of the Company's ability to manage its debt levels under current operating conditions.

The Company's current borrowing capacity is based on the lenders' semi-annual review of the Company's oil and natural gas reserves. The Company is also subject to various covenants including a minimum adjusted working capital ratio of 1:1, defined as current assets adjusted for unrealized financial instruments gains or losses and undrawn availability under the credit facility over current liabilities less current portion of bank debt, under its credit facilities. Compliance with these covenants is monitored on a regular basis and as at September 30, 2013 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.

14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

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

Commodity price risk:

Due to the volatile nature of commodity prices, the Company is potentially exposed to adverse consequences if commodity prices decline. However, if commodity prices are hedged potential upside gains may also be forfeited. The Company attempts to mitigate commodity price risk through the use of financial derivative sales contracts. The following aggregated contracts were in place as of November 14, 2013 by quarter:

2013

Q4					
Crude oil	Fixed	Oct 2013 – Dec 2013	2,600 bbls/d	Cdn $97.05	WTI
Crude oil	Collar	Oct 2013 – Dec 2013	200 bbls/d	USD $95.00 - $104.25	WTI
Crude oil	Collar	Oct 2013 – Dec 2013	200 bbls/d	Cdn $90.00 - $102.00	WTI
Natural gas	Fixed	Oct 2013 – Dec 2013	500 GJs/d	Cdn $3.28/GJ	AECO

2014

Q1					
Crude oil	Fixed	Jan 2014 – Mar 2014	1,200 bbls/d	Cdn $96.86/bbl	WTI
Q2					
Crude oil	Fixed	Apr 2014 – Jun 2014	800 bbls/d	Cdn $97.37/bbl	WTI
Q3					
Crude oil	Fixed	Jul 2014 – Sept 2014	200 bbls/d	Cdn $97.24/bbl	WTI
Q4					
Crude oil	Fixed	Oct 2014 – Dec 2014	200 bbls/d	Cdn $95.82/bbl	WTI

The contracts in place during the nine months September 30, 2013 resulted in a realized loss of $4.1 million (September 30, 2012 – gain of $357 thousand) and an unrealized loss of $4.5 million (September 30, 2012 – gain of $273 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 September 30, 2013 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, 2013, the Company's receivables consisted of $16.0 million (December 31, 2012 - $8.2 million) of receivables from oil and natural gas marketers, $4.7 million (December 31, 2012 - $705 thousand) from joint venture partners, and $204 thousand (December 31, 2012 - $102 thousand) of other trade receivables. As at September 30, 2013, 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.

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, 2013 was a liability of $4.1 million (December 31, 2012 – asset of $398 thousand). The commodity contracts are classified as level 2 within the fair value hierarchy. If the Canadian dollar equivalent WTI price changes by $1.00 per bbl, net earnings would increase (decrease) by $1.4 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, 2013. 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 September 30, 2013:

	less than 1 year	greater than 1 year
Accounts payable	57,977	-
Financial instruments	4,071	
Bank debt	6,096	

15. SUBSEQUENT EVENTS

Subsequent to the end of the quarter, the following events have occurred:

a) Financing

On November 12, 2013, the Company completed a bought deal financing for gross proceeds of $78.4 million and issued 14.0 million common shares at a price of $5.60 per common share.

b) Property Acquisition

On October 22, 2013, the Company has entered into an agreement to acquire certain properties located in the Dodsland area of southwest Saskatchewan from a senior energy producer for $105 million. The property acquisition is expected to close on November 21, 2013.

c) Credit Facility

The Company is negotiating a $225 million syndicated credit facility that is anticipated to close concurrent with the closing of the property acquisition.