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

(thousands)	June 30, 2014	December 31, 2013
	$	$
ASSETS		
Current assets		
Accounts receivable	21,611	28,364
Prepaid expenses	2,570	570
	24,181	28,934
Exploration and evaluation assets (note 5)	28,481	32,426
Property and equipment (note 6)	560,447	489,386
	613,109	550,746
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	70,255	74,645
Financial instruments (note 13)	2,241	1,498
	72,496	76,143
Bank debt (note 7)	43,259	50,611
Asset retirement obligations (note 10)	28,603	19,597
Deferred income tax	31,592	24,992
	175,950	171,343
Shareholders' Equity		
Share capital (note 8)	321,423	317,472
Warrants (note 8)	673	3,247
Contributed surplus	5,717	3,935
Retained earnings	109,346	54,749
	437,159	379,403
	613,109	550,746

(See accompanying notes to the interim financial statements)

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
(thousands except per share data)	$	$	$	$
REVENUE				
Petroleum and natural gas	88,931	36,264	169,638	69,415
Royalties	(8,725)	(3,137)	(16,025)	(5,981)
	80,206	33,127	153,613	63,434
Realized loss on commodity contracts (note 13)	(2,124)	(206)	(3,765)	(145)
Unrealized gain (loss) on commodity contracts (note 13)	831	(994)	(743)	(2,605)
	78,913	31,927	149,105	60,684
EXPENSES				
Operating	10,869	5,372	21,903	10,555
Transportation	1,804	945	3,574	1,848
General and administrative	1,298	821	2,591	1,591
Financial charges	1,078	256	1,985	385
Stock-based compensation (note 9)	1,170	629	1,861	924
Depletion and depreciation (note 5 & 6)	21,038	11,624	41,969	24,390
Asset retirement obligation accretion (note 10)	168	83	325	156
	37,425	19,730	74,208	39,849
Earnings before income taxes	41,488	12,197	74,897	20,835
Income taxes				
Current tax	6,750	-	13,700	-
Deferred income taxes	4,500	3,387	6,600	5,783
	11,250	3,387	20,300	5,783
Net earnings and comprehensive earnings	**30,238**	**8,810**	**54,597**	**15,052**
Net earnings per share (note 8 (d))				
Basic	$0.17	$0.06	$0.31	$0.10
Diluted	$0.16	$0.05	$0.29	$0.09

(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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
(thousands)	$	$	$	$
OPERATING				
Net earnings	30,238	8,810	54,597	15,052
Items not involving cash:				
Depletion and depreciation	21,038	11,624	41,969	24,390
Asset retirement obligation accretion	168	83	325	156
Stock-based compensation	1,170	629	1,861	924
Unrealized (gain) loss on commodity contracts	(831)	994	743	2,605
Deferred income taxes	4,500	3,387	6,600	5,783
	56,283	25,527	106,095	48,910
Change in non-cash operating working capital (note 11)	10,026	1,029	(10,910)	(10,496)
	66,309	26,556	95,185	38,414
FINANCING				
Change in bank debt	(22,973)	(5,726)	(7,352)	6,622
Issues of shares, net	80	-	700	-
	(22,893)	(5,726)	(6,652)	6,622
Cash available for investing activities	43,416	20,830	88,533	45,036
INVESTING				
Capital expenditures – property and equipment	(27,574)	(9,088)	(99,456)	(45,998)
Capital expenditures – exploration and evaluation	(215)	(1,495)	(351)	(2,192)
Change in non-cash investing working capital (note 11)	(15,627)	(10,247)	11,274	(6,262)
	(43,416)	(20,830)	(88,533)	(54,452)
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 Changes in Shareholders' Equity
(unaudited)

(thousands)	**Note**	Share capital $	Warrants $	Contributed surplus $	Retained earnings $	Total equity $
Balance at January 1, 2013		241,893	3,272	869	11,337	257,371
Stock based compensation		-	-	1,280	-	1,280
Net earnings for the period		-	-	-	15,052	15,052
Balance at June 30, 2013		**241,893**	**3,272**	**2,149**	**26,389**	**273,703**
Balance at January 1, 2014		317,472	3,247	3,935	54,749	379,403
Warrants exercised	8(c)	3,274	(2,574)	-	-	700
Stock options exercised	8(c)	677	-	(677)	-	-
Stock based compensation		-	-	2,459	-	2,459
Net earnings for the period		-	-	-	54,597	54,597
Balance at June 30, 2014		**321,423**	**673**	**5,717**	**109,346**	**437,159**

(See accompanying notes to the interim financial statements)

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

For the three and six months ended June 30, 2014 and 2013

(tabular amounts in thousands of dollars unless otherwise stated)

1. NATURE OF OPERATIONS

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 1700, 605-5th Avenue S.W., Calgary, Alberta.

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". The interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2013.

These financial statements were approved and authorized for issue by the Company's Board of Directors on August 12, 2014.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are described in Note 3 to the December 31, 2013 audited annual financial statements, except as noted below. Those accounting policies have been applied consistently to all periods presented in these interim financial statements.

Effective January 1, 2014, the Company retrospectively adopted International Financial Reporting Interpretation Committee ("IFRIC") 21 Levies. IFRIC 21 clarified that an entity recognizes a liability for a levy when the activity that triggers payment occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarified that no liability should be anticipated before the minimum threshold is reached. The adoption of this interpretation did not have an impact on the Company's financial statements.

4. BUSINESS COMBINATIONS

On November 21, 2013, 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 $103.4 million cash after closing adjustments. The property acquisition was accounted for using the acquisition method and accounted for as follows:

Cost of acquisition:

	$
Cash	103,423
Total consideration	103,423

Allocated at estimated fair values:

Property and equipment	107,107
Exploration and evaluation assets	1,134
Asset retirement obligations	(4,818)
	103,423

5. EXPLORATION AND EVALUATION ASSETS

Reconciliation of movements in E&E assets:

	June 30, 2014	December 31, 2013
	$	$
Balance, beginning of year	32,426	40,331
Additions	351	5,193
Transfers to property and equipment (note 6)	(3,715)	(11,913)
Lease expiries	(581)	(1,185)
Balance, end of period	28,481	32,426

Lease expiries of $0.6 million (December 31, 2013 - $1.2 million) for the six month period ended June 30, 2014, have been included in depletion and depreciation on the Company's Statement of Comprehensive Earnings.

For the six months period ended June 30, 2014, there were no indicators of impairment identified. Accordingly, an impairment test was not required.

6. PROPERTY AND EQUIPMENT

Reconciliation of movements in property and equipment:

	Office Assets	Oil and Natural Gas Assets	Total
	$	$	$
January 1, 2013	37	289,700	289,737
Additions	17	274,800	274,817
Transfers from exploration and evaluation assets (note 5)	-	11,913	11,913
Balance as at December 31, 2013	54	576,413	576,467
Additions	46	108,689	108,735
Transfers from exploration and evaluation assets (note 5)	-	3,715	3,715
Balance at June 30, 2014	100	688,817	688,917
Accumulated depletion and depreciation:			
January 1, 2013	(3)	(33,376)	(33,379)
Depletion and depreciation for the year	(9)	(53,693)	(53,702)
Balance at December 31, 2013	(12)	(87,069)	(87,081)
Depletion and depreciation for the period	(8)	(41,381)	(41,389)
Balance at June 30, 2014	(20)	(128,450)	(128,470)
Net book value:			
Balance at December 31, 2013	42	489,344	489,386
Balance at June 30, 2014	80	560,367	560,447

The Company has capitalized as part of oil and natural gas properties, indirect exploration overhead relating to exploration and development activities of $1.0 million (June 30, 2013 - $498 thousand) and capitalized stock based compensation of $599 thousand (June 30, 2013 - $356 thousand) for the six months ended June 30, 2014.

As at June 30, 2014, estimated future development costs of $452 million (December 31, 2013 - $485 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 $12 million (December 31, 2013 - $11 million) have been excluded from the depletion calculation.

As at June 30, 2014, there were no indicators of impairment identified. Accordingly, an impairment test was not required.

7. BANK DEBT

	June 30, 2014	December 31, 2013
	$	$
Credit facility	43,259	50,611

As at June 30, 2014, the Company had a credit facility of $300 million comprised of a $20 million non-syndicated operating facility and a $280 million syndicated extendible revolving facility. Repayments of principal are not required provided that the borrowings under the credit facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties. As at June 30, 2014, 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 for the fall of 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 1.00% and 3.50%, depending on the type of borrowing and the Company's debt to funds flow ratio.

The borrowings under the credit facility are available on a fully revolving basis for a period of 364 days until April 29, 2015, 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 29, 2016.

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

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares

Unlimited number of preferred shares

b) Issued

	Number of Shares	Amount
Common Shares		
		$
January 1, 2013	156,757,341	241,893
Issued through bought deal financing (c)	14,000,000	78,400
Exercise of stock options (c)	43,333	98
Issued on exercise of warrants (c)	113,028	252
Share issue costs, after future income tax of $1,173	-	(3,171)
Balance, December 31, 2013	170,913,702	317,472
Exercise of stock options (c)	748,310	677
Issued on exercise of warrants (c)	8,227,688	3,274
Balance, June 30, 2014	179,889,700	321,423

	Number of Warrants	Amount
Warrants		
		$
January 1, 2013	14,375,000	3,272
Exercised	(113,028)	(25)
Balance December 31, 2013	14,261,972	3,247
Exercised (c)	(11,304,550)	(2,574)
Balance, June 30, 2014	2,957,422	673

c) Shares Issued

During the six months ended period June 30, 2014, 1.0 million stock options were exercised for 748 thousand common shares on a cash-less basis.

During the six months ended period June 30, 2014, 10.95 million warrants were exercised for 7.9 million common shares on a cash-less basis.

During the six months ended June 30, 2014, 350 thousand warrants were exercised for 350 thousand common shares for proceeds of $700 thousand.

The Company currently has warrants outstanding that entitle the holders to purchase common shares at an exercise price of $2.00 per common share until March 15, 2015. During the three months ended March 31, 2014, the Company amended the terms of the warrants to allow warrants to be exercised on a “cash-less” basis by surrendering the warrants in exchange for the issuance of common shares equal to the number determined by dividing the closing price of the common shares on the Toronto Stock Exchange (“TSX”) on the trading day immediately preceding the date of exercise into the difference between the market price and the exercise price of the warrants.

During the year ended December 31, 2013, the Company amended its Option Plan to allow options to be exercised on a “cash-less” basis by surrendering the options in exchange for the issuance of common shares equal to the number determined by dividing the closing price of the common shares on the TSX on the date of exercise into the difference between the closing price and the exercise price of the options being exercised.

During the year ended December 31, 2013, 113 thousand warrants were exercised for 113 thousand common shares for proceeds of $226 thousand.

In the year ended December 31, 2013, 43 thousand stock options were exercised for 43 thousand common shares for proceeds of $82 thousand.

On November 13, 2013, the Company completed a bought deal financing for gross proceeds of $78.4 million and issued 14 million common shares at a price of $5.60 per common share.

d) Per share amounts

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

(thousands)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Weighted average shares outstanding				
Basic	179,438	156,757	177,460	156,757
Diluted	188,002	166,546	185,523	165,777

9. 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 June 30, 2014, 12,256,660 options with a weighted average exercise price of $4.68 were outstanding.

The following tables summarize the information about the share options:

	Six months ended June 30, 2014		Year ended December 31, 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	10,038,592	$2.64	6,240,000	$1.93
Granted	3,566,000	$9.59	3,841,925	$3.76
Exercised	(1,014,598)	$2.39	(43,333)	$1.90
Forfeited	(333,334)	$2.71	-	-
Outstanding at end of period	12,256,660	$4.68	10,038,592	$2.64
Options exercisable at period end	4,208,784	$2.24	2,045,556	$1.93

	Options outstanding			Options exercisable	
Exercise price	Number outstanding at June 30, 2014	Weighted average remaining contractual life *(years)*	Weighted average exercise price	Number exercisable at June 30, 2014	Weighted average exercise price
$1.90	5,133,336	1.4	$1.90	3,308,333	$1.90
$2.73 - $3.15	325,335	2.0	$3.03	28,667	$2.93
$3.53 - $3.80	2,846,989	2.3	$3.54	871,784	$3.53
$4.24 - $6.90	665,000	2.9	$6.34	-	-
$8.47 - $9.10	695,000	3.2	$8.71	-	-
$9.64 - $10.51	2,591,000	3.4	$10.13	-	-
$1.90 - $10.51	12,256,660	2.2	$4.68	4,208,784	$2.24

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.

	June 30, 2014	December 31, 2013
Risk-free interest rate (%)	1.40 – 1.54	1.13 – 1.62
Expected life (years)	3.5	3.5
Expected volatility (%)	30 - 42	43 - 49
Dividend per share	nil	nil
Expected forfeiture rate (%)	1	1
Weighted average fair value at grant date ($ per option)	2.42	0.77

10. 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 $28.6 million at June 30, 2014 (December 31, 2013 - $19.6 million) based on a total future liability of $59.0 million (December 31, 2013 - $45.2 million). Payments to settle asset retirement obligations occur over the operating lives of the underlying assets, estimated to be from 2 to 50 years, with the majority of costs to be incurred between 2030 and 2062. A risk free rate of 2.8 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 a combination of discounting future cost estimates at a lower rate than in prior periods, and increasing the underlying cost estimates.

	June 30, 2014	December 31, 2013
	$	$
Asset retirement obligation, beginning of year	19,597	12,568
Liabilities incurred	2,575	4,663
Liabilities acquired (note 4)	-	4,818
Revision to estimate	6,106	(2,803)
Accretion	325	351
Balance end of period	28,603	19,597

11. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in non-cash working capital:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	$	$	$	$
Accounts receivable	7,425	2,208	6,753	(1,741)
Prepaid expenses	(1,533)	599	(2,000)	104
Accounts payable	(11,493)	(12,025)	(4,389)	(15,121)
Changes in non-cash working capital	(5,601)	(9,218)	364	(16,758)

These changes relate to the following activities:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	$	$	$	$
Operating activities	10,026	1,029	(10,910)	(10,496)
Investing activities	(15,627)	(10,247)	11,274	(6,262)
	(5,601)	(9,218)	364	(16,758)

b) Other cash flow information

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	$	$	$	$
Interest paid	489	105	1,270	168
Interest received	27	-	43	-
Current income tax paid	570	-	3,345	-

12. 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 derivative assets or liabilities, divided by funds flow from operations. At June 30, 2014, Raging River has a net debt of $89.3 million (December 31, 2013 - $96.3 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 June 30, 2014, 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 period.

13. 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 August 12, 2014:

2014

Q3					
Crude oil	Fixed	Jul 2014 – Sept 2014	2,850 bbls/d	Cdn $106.33/bbl	WTI
Natural gas	Fixed	Jul 2014 – Sept 2014	500 GJs/d	Cdn $3.82/GJ	AECO
Q4					
Crude oil	Fixed	Oct 2014 – Dec 2014	2,250 bbls/d	Cdn $105.15/bbl	WTI
Natural gas	Fixed	Oct 2014 – Dec 2014	500 GJs/d	Cdn $3.82/GJ	AECO

2015

Q1					
Crude oil	Fixed	Jan 2015 – Mar 2015	450 bbls/d	Cdn $107.00/bbl	WTI

Q2					
Crude oil	Fixed	Apr 2015 – Jun 2015	200 bbls/d	Cdn $105.25/bbl	WTI

The contracts in place during the six month period ended June 30, 2014, resulted in a realized loss of $3.8 million (June 30, 2013 – loss of $145 thousand) and an unrealized loss of $743 thousand (June 30, 2013 – loss of $2.6 million).

Foreign currency exchange risk:

The Company is exposed to foreign currency fluctuations as crude oil and natural gas prices received are referenced in U.S. dollar denominated prices. As of June 30, 2014, 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 June 30, 2014, the Company's receivables consisted of $20.7 million (December 31, 2013 - $23.7 million) of receivables from oil and natural gas marketers and $0.9 million (December 31, 2013 - $3.8 million) from joint venture partners. As at June 30, 2014, the Company has no material receivables outstanding greater than 90 days.

Fair Value of financial instruments:

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

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's exposure under its financial instruments is limited to financial assets and liabilities, all of which are included in these financial statements. The fair values of the financial assets and liabilities included in the statement of financial position approximate their carrying amounts due to the short-term maturity of those instruments. Long-term bank debt bears interest at a floating market rate that is indicative of current rates; accordingly the fair market value approximates the carrying value.

Raging River's commodity contracts are classified as level 2 within the fair value hierarchy. 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 June 30, 2014 was a liability of $2.2 million (December 31, 2013 – liability of $1.5 million). If the Canadian dollar equivalent WTI price changes by $1.00 per bbl, net earnings would increase (decrease) by $1.8 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 June 30, 2014.

As at June 30, 2014, a 1% change in interest rate on the bank debt would increase (decrease) net earnings by $433 thousand (December 31, 2013 –$506 thousand).

Liquidity Risk:

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

The following are the contractual maturities of financial liabilities as at June 30, 2014:

	less than 1 year	greater than 1 year
	$	$
Accounts payable	70,255	-
Financial instruments	2,241	-
Bank debt	-	43,259