MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis as provided by the management of Raging River Exploration Inc. ("Raging River" or the "Company") should be read in conjunction with the unaudited interim financial statements from the commencement of active operations March 16, 2012 to March 31, 2012 and the notes thereto. The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Forward Looking Statements

This MD&A may include forward-looking statements including opinions, assumptions, estimates and management's assessment of future plans and operations, expected royalty rates, and drilling royalty credits on the Company, plans to monitor operating and capital expenditures and to adjust capital spending if required, expectations as to the non-taxability of the Company and capital expenditures and the timing and funding thereof. When used in this document, the words "anticipate", "believe", "estimate", "expect", "intent", "may", "project", "plan", "should" and similar expressions are intended to be among the statements that identify forward-looking statements. Forward-looking statements are subject to a wide range of risks and uncertainties, and although the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements, including, but not limited to, risks associated with petroleum and natural gas, exploration, development, exploitation, production, marketing and transportation, the volatility of petroleum and natural gas prices, currency fluctuations, the ability to implement corporate strategies, the state of domestic capital markets, the ability to obtain financing, incorrect assessments of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, changes in petroleum and natural gas acquisition and drilling programs, delays resulting from inability to obtain required regulatory approvals, delays resulting from other producers, imprecision or reserve estimates, labour supply risks, environmental risks, competition from other producers, imprecision of reserve estimates, changes in general economic conditions, whether farm-in and farm-out opportunities result in agreements and other factions more fully described from time to time in the reports and filings made by the Company with securities regulatory authorities. Statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. The forward looking statements contained in this MD&A are expressly qualified by this cautionary statement. Readers are cautioned not to place undue reliance on forward-looking statements, as no assurances can be given as to future results, levels of activity or achievements. Expect as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements.

The Management's Discussion and Analysis ("MD&A") contains the term funds from operations which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with International Financial Reporting Standards ("IFRS") as an indicator of the Company's performance. The reconciliation between cash flow from operating activities and funds from operations can be found in the statement of cash flows in the unaudited interim financial statements and is presented before the change in non-cash operating working capital. The Company reconciles funds flow from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS, as follows:

	Commencement of operations March 16, 2012 to March 31, 2012
Cash flow from operating activities	(2,140)
Changes in non–cash working capital	(3,088)
Funds flow from operations	948

The Company presents funds from operations per share whereby per share amounts are calculated consistent with the calculation of earnings per share.

The MD&A also contains other terms such as net debt and operating netbacks, which are not recognized measures under IFRS. Management believes these measures are useful supplemental measures of firstly, the total amount of current and long-term debt the Company has, and secondly, the amount of revenues received after the royalties, operating and transportation costs. Net debt and working capital deficiency, which terms represent current assets less current liabilities and bank debt is used to assess efficiency, liquidity and the general financial strength of the Company. Mark-to-market risk management contracts are excluded from the net debt calculation. Readers are cautioned however, that these measures should not be construed as an alternative to other terms such as current and long-term debt or net earnings in accordance with IFRS as measures of performance. The Company's method of calculating these measures may differ from other companies, and accordingly, may not be comparable to measures used by other companies.

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. This equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Description of the Company

Raging River was incorporated as 1646988 Alberta Ltd. pursuant to the Business Corporations Act (Alberta) on December 15, 2011 and subsequently 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 currently focused in the Dodsland area of southwest Saskatchewan.

Raging River commenced active operations on March 16, 2012 following the completion of the Plan of Arrangement among Wild Stream Exploration Inc., Crescent Point Energy Corp. 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.

Accordingly the operations below reflect only a 15 day period in the quarter ended March 31, 2012. No comparisons for operational results have been included as Raging River was not a reporting issuer prior to March 16, 2012.

Corporate Highlights

First quarter ended March 31, 2012

- Exited the quarter at approximately 1,600 boe/d (97% oil) achieving a 60% growth over January 2012 production volumes of 1,000 boe/d.

- Raised $23.1 million through the completion of the private placement with the issuance of 14.4 million units at a price of $1.61 per unit.

- Raised $4.7 million further to the Plan of Arrangement through the exercise of 2,945,382 warrants at $1.61 per warrant.

- Raging River's balance sheet is strong with approximately $15.4 million of unutilized bank lines at March 31, 2012.

Subsequent to March 31, 2012

- Raging River closed its previously announced $30.5 million, 175 boe/d acquisition of focused, light oil assets in the Dodsland area of southwest Saskatchewan.

- Raging River 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.

- From April 1, 2012 to April 16, 2012, 11.1 million warrants were exercised for gross proceeds of $17.9 million. As at April 16, 2012, 177 thousand warrants expired.

- Subsequent to March 31, 2012, the Board of Directors has approved an increase in the 2012 capital budget for the remaining three quarters of 2012 to $80 million from $45 million.

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

Petroleum and Natural Gas Revenue

	Commencement of operations March 16, 2012 to March 31, 2012	2011	Percent Change (%)
	(thousands of dollars)		
Liquids revenue	1,553	-	100
Natural gas revenue	6	-	100
Royalty revenue	-	-	100
	1,559	-	100
Operating: (6:1 boe conversion)			
Average daily production			
Liquids (bbls/d)	1,345	-	100
Natural gas (mcf/d)	291	-	100
Barrels of oil equivalent (boe/d)	1,394	-	100
Average Raging River sales price			
Liquids ($/bbl)	76.95	-	100
Natural gas ($/mcf)	1.38	-	100
Barrel of oil equivalent ($/boe)	74.56	-	100
Average Benchmark Prices			
Crude oil - WTI (US$/bbl)	106.30	-	100
Crude oil - Edmonton Par	86.03	-	100
Crude oil - WCS	74.52	-	100
Natural gas - AECO	1.80	-	100
Exchange rate (US$/Cdn$)	1.01	-	100

The Company takes almost all of its working interest production "in kind" and it is marketed and sold through various credit-worthy commodity purchasers. Raging River's crude oil is marketed under a short-term (30 day) contract with a crude oil marketer and through major North American crude oil purchasers. All of the Company's natural gas is currently sold as spot gas through significant North American natural gas marketers.

Commodity prices are affected by both domestic and international factors that are beyond the control of the Company. Differentials between WTI oil price and the Edmonton Par price widened significantly in the first quarter of 2012, impacting the oil price received by the Company. In addition, prices received for crude oil are determined by the quality of the crude compared to a benchmark price for light, sweet oil. Raging River's average quality adjustment to Edmonton Par pricing during the first quarter was $9.05/bbl. Raging River's product mix during the quarter was comprised of 1,075 bbls/d of light oil and 270 bbls/d of heavy oil. The heavy oil received a discount of approximately $21.50/bbl to Edmonton Par while our light oil received a quality adjustment of approximately $6.00/bbl. Raging River's overall quality adjustment to Edmonton Par pricing is expected to decrease throughout 2012 as all of the anticipated production additions will be light oil. The Company's liquids price averaged $76.95 per barrel in the 15 days of operations for the period ended March 31, 2012. Raging River's realized natural gas price in the first quarter of 2012 was $1.38 per mcf compared to the AECO daily index average of $1.80.

Commodity Price Risk Management:

Raging River, as part of our financial management strategy, has adopted a disciplined commodity hedging program. The objective of the hedging program is to reduce volatility in the financial results, protect acquisition economics and stabilize cash flow against the unpredictable commodity price environment. As the Company's production grows, our corporate hedging strategy will be restricted to a maximum hedge of 50% of the trailing month's actual production, allowing the Company to participate in commodity price increases while limiting exposure to declines in commodity prices. As of May 28, 2012 the Company has the following price contracts in place:

Commodity	Type	Term	Volume	Price	Index
BY CONTRACT					
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

Realized & unrealized gain on financial instruments

As of March 31, 2012, the fair value of Raging River's outstanding commodity contracts is an unrealized asset of $164 thousand as reflected in the financial statements. The fair value or mark to market value of these contracts is based upon the estimated amount that would have been received as at March 31, 2012 had the contracts been monetized or terminated. Subsequent changes in the fair value of the commodity contracts are recognized in the financial statements and could be materially different than what is recorded at March 31, 2012. The unrealized gain of $164 thousand represents the fair value change of the underlying commodity contracts to be settled in the future.

No realized gain or losses had been recognized as of March 31, 2012.

Royalties

	Commencement of operations March 16, 2012 to March 31, 2012	2011	Percent Change
	(thousands of dollars)		
Crown	100	-	100
Freehold and GORR	48	-	100
	148	-	100
Percent of total revenue	9.5%	-	100
Per boe ($)	7.10	-	100

Royalty expenses consist of royalties paid to provincial governments, freehold landowners, overriding royalty owners and the Saskatchewan resource surcharge. Royalties for the 15 days of operations for the period ended March 31, 2012 were $148 thousand. The Company's average royalty rate was 9.5% in the first quarter in 2012 or $7.10 on a per boe basis.

Operating Expenses

	Commencement of operations March 16, 2012 to March 31, 2012	2011	Percent Change
Total operating costs ($000's)	306	-	100
Percent of total revenue	19.6%	-	100
Per boe ($)	14.63	-	100

Operating expenses for the 15 days of operations for the period ended March 31, 2012 were $306 thousand. Operating expenses on a per unit basis were $14.63 per boe.

Transportation Expenses

	Commencement of operations March 16, 2012 to March 31, 2012	2011	Percent Change
Total transportation costs ($000's)	42	-	100
Percent of total revenue	2.7%	-	100
Per boe ($)	2.03	-	100

Transportation expenses for the 15 days of operations for the period ended March 31, 2012 were $42 thousand. Transportation expenses on a per unit basis were $2.03 per boe. Transportation expenses relate to the cost of transporting natural gas and hauling crude oil to the point of sale.

General and Administrative Expenses

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

	2012	2011	
	(thousands of dollars)		
General and administrative	86	-	100
Capitalized G & A	(18)	-	100
	68	-	100
Percent of total revenue	5.5%	-	100
Per boe ($)	3.25	-	100

Gross general and administration expenses for the 15 days of operations for the period ended March 31, 2012 were $86 thousand. These costs were primarily incurred as start-up expenses and salaries for the period. Net general and administrative expenses were 5.5% of total revenue and $3.25 on a per boe basis.

Financial Charges

	Commencement of operations March 16, 2012 to March 31, 2012	2011	Percent Change
	(thousands of dollars)		
Financial charges	47	-	100
Percent of total revenue	3.0%	-	100
Per boe ($)	2.21	-	100

Financial charges during the 15 days of operations for the period ended March 31, 2012 were $47 thousand. As at March 31, 2012 the Company had drawn $29.6 million against the available credit facility of $45 million.

Depletion, Depreciation and Accretion

	Commencement of operations March 16, 2012 to March 31, 2012	2011	Percent Change
	(thousands of dollars)		
Depletion and depreciation	613	-	100
Accretion	8	-	100
	621	-	100
Percent of total revenue	39.8%	-	100
Per boe ($)	29.70	-	100

Depletion and depreciation expense for the 15 days of operations for the period ended March 31, 2012 was $613 thousand or $29.32/boe. Depletion of oil and gas assets is provided on the “unit-of–production” method based on total proved and probable reserves, including future development costs, on a component basis.

Accretion represents the time value of the asset retirement obligation and is calculated at the Company’s risk-free rate, currently 2.7 percent. It will continue to increase with the passage of time and the increases in asset retirement obligations.

Asset Retirement Obligations

On the transfer of assets on the common control transaction, Raging River assumed asset retirement obligations of the acquired assets at a net present value of $6.8 million.

Future Income Taxes

A future income tax provision for the period ended March 25, 2012 was $108 thousand for an effective tax provision rate of 22 percent.

Funds from Operations and Net Earnings

The Company's funds from operations and net earnings generating capability are a direct result of production, commodity prices, and the cost to find and produce reserves. In the 15 day day period of operations for the period ended March 31, 2012, Raging River recorded funds from operations of $948 thousand and net earnings of $383 thousand.

The following table summarizes the operating netback, funds from operations and net earnings on a barrel of oil equivalent basis:

	Commencement of operations March 16, 2012 to March 31, 2012	2011	Percent Change
	($/boe)		
Petroleum and natural gas revenue	74.56	-	100
Royalties	(7.10)	-	100
Net revenue	67.46	-	100
Operating expenses	(14.63)	-	100
Transportation expenses	(2.03)	-	100
Operating netback	50.80	-	100
Financial charges	(2.21)	-	100
General and administrative expenses	(3.25)	-	100
Funds from operations	45.34	-	100
Unrealized gain on financial instruments	7.85	-	100
Depletion, depreciation and accretion expense	(29.70)	-	100
Net earnings before taxes	23.49	-	100
Future income tax provision	(5.17)	-	100
Net earnings	18.32	-	100

Capital Expenditures

Total exploration and development capital expenditures for the first quarter March 31, 2012 were $72 thousand. The expenditures are detailed below:

	Commencement of operations March 16, 2012 to March 31, 2012	2011	Percent Change
	(thousands of dollars)		
Land	49	-	100
Geological and geophysical	5	-	100
Drilling and completions	18	-	100
Exploration and development	72	-	100

Drilling Activity

No wells were drilled in the 15 days period of operations in the first quarter ended March 31, 2012.

Liquidity and Capital Resources

At March 31, 2012, the Company had a net debt of $35.1 million. The Company expects to have adequate liquidity to fund the 2012 capital expenditure budget of $80 million through a combination of funds flow, the $45 million credit facility with the National Bank of Canada and the May 2012 financing of $35 million. See subsequent events below for a material property acquisition of $30.5 million that closed May 4, 2012, a financing of $35 million and an expansion of the credit facility to $65 million.

Capital Resources

	March 31, 2012	March 31, 2011
($thousands)		
Capital Resources		
Bank debt available	45,000	-
Working capital deficiency	(35,123)	-
Total capital resources available	9,877	-

During the 15 day period for the period ended March 31, 2012, the Company had the following changes to its share capital:

> 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 purchase warrant entitling the holder to purchase one Raging River share at an exercise price of $1.61 per share. The purchase warrants expired on April 16, 2012.
>
> 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.

Common share information

CAPITALIZATION AND CAPITAL RESOURCES

Share Capital

	March 31,	
Outstanding common shares	2012	2011
Weighted Average Outstanding Common Shares (1)		
-Basic	88,415,708	-
-Diluted	94,342,062	-
Outstanding Securities at March 31, 2012		-
-Common shares	91,041,041	-
-Purchase warrants issued through Plan of Arrangement	11,268,750	-
-Warrants issued through Private Placement	14,375,000	

(1) Per share information is calculated on the basis of the weighted average number of common shares outstanding during the fiscal period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Diluted per share information is calculated using the treasury stock method which assumes that any proceeds received by the Company upon exercise of in-the-money stock options or warrants plus the unamortized stock compensation expense would be used to buy back common shares at the average market price for the period.

Total Market Capitalization

The Company's market capitalization at March 31, 2012 was $206 million.

	March 31, 2012
Common Shares Outstanding	91,041,041
Share Price (1)	$2.26
Total Market Capitalization	$205,752,753

(1) Represents the last price traded on the TSX Venture Exchange ("TSXV") on March 31, 2012.

As at May 28, 2012 the Company had 122,382,341 common shares outstanding.

	May 28, 2012
Outstanding Securities at May 28, 2012	
-Common shares	122,382,341
-Warrants issued through Private Placement	14,375,000

Subsequent Events

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

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 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.

Contractual Obligations and Commitments

Raging River has assumed various contractual obligations and commitments in the normal course of operations and financing activities. We consider these obligations when assessing cash requirements in the discussion of future liquidity that follows:

Contractual Obligations

Payments due by Period ($ thousands)	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years	Total
Bank debt	29,646	-	-	-	29,646
Operating lease obligations (note 1)	303	1,099	-	-	1,402
Total contractual obligations	29,853	1,099	-	-	31,048

1. Operating lease obligations consist of the office lease.

Off-Balance Sheet Arrangements

There are currently no significant off-balance sheet arrangements.

Related Party Transactions

Refer to description of the Company above for discussion of the common control transaction.

Business Environment and Risk

The business risks the Company is exposed to are those inherent in the oil and gas industry as well as those governed by the individual nature of Raging River's operations. Geological and engineering risks, the uncertainty of discovering commercial quantities of new reserves, commodity prices, interest rate and foreign exchange risks, competition and government regulations – all of these govern the business and influence the controls and management at the Company. Raging River manages these risks by:

- attracting and retaining a team of highly qualified and motivated professionals who have a vested interest in the success of the Company;

- operating properties in order to maximize opportunities;
- employing risk management instruments to minimize exposure to volatility of commodity prices, interest rate and foreign exchange rates;
- maintaining a strong financial position; and
- maintaining strict environmental, safety and health practices

Application of Critical Accounting Estimates

Management is required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company.

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 judgment. 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.

Significant Accounting Policies

The accounting policies set out below have been applied to the 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.

Current International Accounting Standards Board ("IASB") Projects

The following pronouncements from the IASB will become effective for financial reporting periods beginning on or after January 1, 2013 and have not yet been adopted by the Company. All of these new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application:

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.

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

IFRS 12 Disclosure of Interest in Other Entities provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities.

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.

IAS 27 - Separate Financial Statements revised the existing standard which addresses the presentation of parent company financial statements that are not consolidated financial statements.

IAS 28 - Investments in Associate and Joint Ventures revised the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Company has not completed its evaluation of the effect of adopting these standards on its consolidated financial statements.

The IASB has also issued IFRS 9 Financial Instruments, which is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. IFRS 9 is the first step to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The Company has performed a preliminary assessment of the impact of the new and amended standards and does not currently expect that the adoption of these standards will have a significant impact on the Company's financial statements.

Corporate Information

Board of Directors

NEIL ROSZELL
President & CEO, Raging River Exploration Inc.
Calgary, Alberta

GEORGE FINK [1]
Chairman & CEO, Bonterra Energy Corp.
Calgary, Alberta

RAYMOND P. MACK [1] [2]
Partner, Kenway Mack Slusarchuk Stewart LLP
Calgary, Alberta

KEVIN OLSON [1] [2] [3]
President, Kyklopes Capital Management Ltd.
Calgary, Alberta

DAVE PEARCE
Industry Partner KERN Partners
Calgary, Alberta

(1) Audit Committee
(2) Corporate Governance and Compensation Committee
(3) Reserves Committee

Officers

NEIL ROSZELL, P. Eng.
President & CEO

BRUCE ROBERTSON
Executive Vice President

JERRY SAPIEHA, CA
Vice President Finance & CFO

BRUCE BEYNON
Vice President Exploration

DAVE BURTON, P. Eng.
Vice President Engineering

JASON JASKELA, P. Eng.
Vice President Production

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