RMP ENERGY INC

Interim Condensed Consolidated Financial Statements

For the three month period ended March 31, 2017

Dated: May 15, 2017

RMP ENERGY INC.

Interim Condensed Consolidated Statements of Financial Position

(unaudited) (thousands)	March 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ -	$ 404
Accounts receivable	5,038	8,187
Prepaid expenses and deposits	1,013	942
Risk management contracts (Note 10)	240	-
	6,291	9,533
Deferred charge	2,189	2,229
Property, plant and equipment (Note 4)	234,509	212,386
Exploration and evaluation assets (Note 3)	7,780	10,259
Deferred tax asset	42,648	41,783
	$ 293,417	$ 276,190
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 10,473	$ 12,647
Risk management contracts (Note 10)	-	98
Bank debt (Note 5)	20,868	-
Decommissioning obligations (Note 7)	14,966	14,230
	46,307	26,975
Shareholders' Equity		
Share capital (Note 8)	333,714	333,646
Contributed surplus	36,492	35,907
Deficit	(123,096)	(120,338)
	247,110	249,215
	$ 293,417	$ 276,190

Subsequent events (Note 9a)

See accompanying notes as they are an integral part of these interim condensed consolidated financial statements.

RMP ENERGY INC.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(unaudited)
(thousands, except per share amounts)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Revenue		
Petroleum and natural gas sales	$ 9,458	$ 21,611
Royalties	(801)	(2,339)
Revenue, net of royalties	8,657	19,272
Unrealized gain on risk management contracts (Note 10)	338	-
	8,995	19,272
Expenses		
Operating	3,304	4,762
Transportation	1,003	2,522
General and administrative	1,871	1,616
Share-based compensation (Note 9)	452	902
Finance costs (Note 6)	162	977
Depletion and depreciation (Notes 3 and 4)	6,326	18,961
Gain on non-monetary property exchange	(500)	-
	12,618	29,740
Loss before taxes	(3,623)	(10,468)
Deferred tax reduction	(865)	(2,205)
Net loss and comprehensive loss	$ (2,758)	$ (8,263)
Net loss per share (Note 8b)		
Basic and diluted	$ (0.02)	$ (0.06)

See accompanying notes as they are an integral part of these interim condensed consolidated financial statements.

RMP ENERGY INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited)
(thousands)

	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2016	150,970	$ 333,646	$ -	$ 35,907	$ (120,338)	$ 249,215
Net loss for the period	-	-	-	-	(2,758)	(2,758)
Share-based compensation expensed	-	-	-	452	-	452
Share-based compensation capitalized	-	-	-	201	-	201
Issue of common shares – restricted common share award exercises	49	-	-	-	-	-
Transfer from contributed surplus – restricted common share award exercises	-	68	-	(68)	-	-
Balance, March 31, 2017	151,019	$ 333,714	$ -	$ 36,492	$ (123,096)	$ 247,110
Balance, December 31, 2015	126,475	$300,621	$ 2,885	$ 28,337	$ (34,319)	$ 297,524
Net loss for the period	-	-	-	-	(8,263)	(8,263)
Share-based compensation expensed	-	-	-	902	-	902
Share-based compensation capitalized	-	-	-	418	-	418
Issue of common shares	24,495	34,538	-	-	-	34,538
Share issue costs, net of tax of $550	-	(1,488)	-	-	-	(1,488)
Balance, March 31, 2016	150,970	$333,671	$ 2,885	$ 29,657	$ (42,582)	$ 323,631

See accompanying notes as they are an integral part of these interim condensed consolidated financial statements.

RMP ENERGY INC.

Interim Condensed Consolidated Statements of Cash Flows

(unaudited) (thousands)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash provided from (used in):		
Operating activities		
Net loss	**$ (2,758)**	$ (8,263)
Adjustments for non-cash items:		
Depletion and depreciation	**6,326**	18,961
Accretion on decommissioning obligations	**81**	97
Share-based compensation	**452**	902
Deferred tax reduction	**(865)**	(2,205)
Unrealized gain on risk management contracts	**(338)**	-
Gain on non-monetary property exchange	**(500)**	-
Decommissioning expenditures	**-**	(170)
Change in non-cash working capital and deferred charge	**834**	716
	3,232	10,038
Financing activities		
Increase (decrease) in bank loan	**20,868**	(18,279)
Issue of common shares	**-**	34,538
Share issue costs	**-**	(2,038)
	20,868	14,221
Investing activities		
Exploration and evaluation asset expenditures	**(6,382)**	(7,520)
Property, plant and equipment expenditures	**(18,232)**	(10,731)
Change in non-cash working capital	**110**	(6,008)
	(24,504)	(24,259)
Change in cash and cash equivalents	**(404)**	-
Cash and cash equivalents, beginning of period	**404**	-
Cash and cash equivalents, end of period	**$ -**	$ -

See accompanying notes as they are an integral part of these interim condensed consolidated financial statements.

1. Reporting Entity

RMP Energy Inc. (the "**Company**" or "**RMP**") is a crude oil and natural gas exploration, development and production company headquartered in Calgary, Alberta, Canada. RMP conducts its operations in the Western Canadian Sedimentary Basin, primarily in the province of Alberta. RMP is incorporated under the laws of Alberta and its common shares are traded on the Toronto Stock Exchange under the trading symbol "RMP". The Company's corporate office is located at 1200, 500 - 4th Avenue S.W., Calgary, Alberta.

The Company's interim condensed consolidated financial statements as at and for the three months ended March 31, 2017 comprise the accounts of the Company and its wholly-owned subsidiary, RMP Energy (USA) Inc. These statements, in addition to other disclosure documents, are available on the *System for Electronic Document Analysis and Retrieval* ("**SEDAR**") at www.sedar.com.

2. Basis of Preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 – "*Interim Financial Reporting*" using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The interim condensed consolidated financial statements were prepared using the accounting policies, methods of computation and key estimates disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2016. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 and exclude certain disclosures required to be included in annual financial statements.

The interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on May 15, 2017.

(all tabular amounts are in thousands except share and per share amounts)

3. Exploration and Evaluation ("E&E") Assets

The following table reconciles the Company's E&E assets:

	Total
Cost:	
Balance at December 31, 2015	$ 22,386
Additions	10,743
Acquisition	3,840
Divestitures	(6,859)
Transfer to PP&E	(5,615)
Balance at December 31, 2016	24,495
Additions	6,882
Transfer to PP&E	(9,079)
Balance at March 31, 2017	$ 22,298

	Total
Depletion and depreciation:	
Balance at December 31, 2015	$ (16,747)
Depletion and depreciation	(3,374)
Divestitures	5,627
Transfer to PP&E	258
Balance at December 31, 2016	(14,236)
Depletion and depreciation	(929)
Transfer to PP&E	647
Balance at March 31, 2017	$ (14,518)
Net E&E carrying amounts:	
At December 31, 2016	$ 10,259
At March 31, 2017	$ 7,780

On March 15, 2017, RMP exchanged undeveloped land assets in the Waskahigan area with an arm's-length party on a non-monetary basis. The lands disposed of by the Company had a nil net book value as the lands had been fully depreciated. The acquired lands were measured on the basis of fair value. The exchange resulted in the recognition of a $0.5 million gain.

(all tabular amounts are in thousands except share and per share amounts)

4. Property, Plant and Equipment ("PP&E") Assets

The following table reconciles the Company's PP&E assets:

	Total
Cost:	
Balance at December 31, 2015	$ 966,247
Additions	30,406
Acquisition	6,601
Divestitures	(278,652)
Change in decommissioning obligations	2,085
Capitalized share-based compensation	1,456
Transfer from E&E	5,615
Balance at December 31, 2016	733,758
Additions	18,232
Change in decommissioning obligations	655
Capitalized share-based compensation	201
Transfer from E&E	9,079
Balance at March 31, 2017	$ 761,925

	Total
Depletion, depreciation and impairment:	
Balance at December 31, 2015	$ (550,884)
Depletion and depreciation	(57,797)
Transfer from E&E	(258)
Divestitures	203,130
Impairment	(115,563)
Balance at December 31, 2016	(521,372)
Depletion and depreciation	(5,397)
Transfer from E&E	(647)
Balance at March 31, 2017	$ (527,416)
Net PP&E carrying amounts:	
At December 31, 2016	$ 212,386
At March 31, 2017	$ 234,509

The calculation of depletion and depreciation included estimated future development costs of $294.8 million (December 31, 2016: $279.0 million) associated with the development of the Company's proved plus probable reserves and excludes salvage value of $4.4 million (December 31, 2016: $4.4 million). The calculation of depletion and depreciation for the three month period ended March 31, 2017 excluded $8.5 million of costs related to the Company's Elmworth oil battery facility infrastructure project (December 31, 2016: $0.9 million).

The Company's credit facility is secured by a demand debenture with a first floating charge over all assets of the Company (see Note 5).

RMP's management assessed its property, plant and equipment assets for indicators of impairment and concluded there were no internal or external indicators of impairment.

(all tabular amounts are in thousands except share and per share amounts)

5. Bank Facility

As at March 31, 2017, the Company had a committed, extendible revolving bank facility (the "**Credit Facility**") underwritten by a two-bank syndicate (the "**Lenders**"). The maximum borrowing base limit of the Credit Facility provided by the Lenders is set at $40.0 million. The borrowings under the Credit Facility are available on a fully revolving basis for a period of at least 364 days until July 22, 2017, at which time the Company could request approval by the Lenders for an extension for an additional 364 day cycle or convert the outstanding bank indebtedness to a one-year term loan with full repayment due on July 22, 2018. The amount of the Credit Facility is subject to a borrowing base test performed on a periodic basis by the Lenders, based primarily on reserves and using commodity prices estimated by the Lenders, as well as other factors. The next borrowing base redetermination is scheduled to be completed by July 1, 2017. The Credit Facility is secured by a fixed and floating charge debenture of $500.0 million on the assets of the Company and contains one financial covenant, an interest-coverage ratio of 3.5 times (350%). The interest-coverage ratio is calculated by: dividing the summation of earnings before interest, deferred taxes, depreciation, depletion, accretion, amortization, share-based compensation, impairment, unrealized gains or losses on risk management contracts and gains or losses from the disposition of assets for the current and three immediately preceding quarters by the summation of interest expense for the current and three preceding quarters. The Company was in compliance with this covenant as at March 31, 2017.

At March 31, 2017, the Company had $20.9 million of bank debt outstanding (December 31, 2016: nil).

6. Finance Costs

	Three Months Ended	
	March 31, 2017	March 31, 2016
Interest expense on bank debt	$ 81	$ 880
Accretion expense on decommissioning obligations	81	97
Total finance costs	$ 162	$ 977

7. Decommissioning Obligations

The following table summarizes the changes in decommissioning obligations for the three month period ended March 31, 2017 and the year ended December 31, 2016:

	March 31, 2017	**December 31, 2016**
Balance - beginning of period	$ 14,230	18,503
Accretion expense	81	384
Liabilities incurred	655	819
Liabilities acquired	-	421
Liabilities released on disposition	-	(6,977)
Change in discount rate on acquired liabilities	-	1,843
Change in estimates	-	(577)
Decommissioning expenditures	-	(186)
Balance - end of period	$ 14,966	$ 14,230

(all tabular amounts are in thousands except share and per share amounts)

The Company's decommissioning obligations result from its ownership interest in crude oil and natural gas assets including well sites, gathering systems and crude oil batteries. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years.

The Company has estimated the net present value of the decommissioning obligations, inflated at 1.5%, to be $15.0 million as at March 31, 2017 (December 31, 2016: $14.2 million) based on an undiscounted, non-inflated total future liability of $19.0 million (December 31, 2016: $18.2 million). The Company expects these obligations to be settled over the next 41 years. The discount factor, being the risk-free rate related to the liability, is 2.31% (December 31, 2016: 2.31%).

8. Share Capital

a) Authorized - Unlimited number of voting common shares.

b) Per Share Amounts

For the three month period ended March 31, 2017, there were 12.6 million stock options ($3.35 weighted average exercise price), 0.8 million restricted common share awards ($1.47 average exercise price) and nil warrants (three month period ended March 31, 2016: 11.6 million options, 0.8 million restricted common share awards, and 2.0 million warrants) excluded in calculating the weighted average number of diluted common shares outstanding.

Weighted average shares outstanding:	Three Months Ended	
	March 31, 2017	March 31, 2016
Basic	150,987,836	128,628,475
Diluted	150,987,836	128,628,475

9. Share-Based Compensation

a) Outstanding stock options

The Company has a stock option plan in which the Company may grant options to its directors, officers and employees for up to 10% of its outstanding common shares. Under this plan, the Company has granted options to purchase common shares, whereby each option permits the holder to purchase one share of the Company at the stated exercise price. Options granted have a term of five years to maturity and vest as to one-third on each of the first, second and third anniversaries from the date of grant.

At March 31, 2017, a total of 12,642,000 stock options with a weighted average exercise price of $3.35 per option were outstanding and exercisable at various dates through to January 3, 2022. Subsequent to March 31, 2017, a total of 4,543,000 options with a weighted average exercise price of $7.18 per option were surrendered for cancellation.

(all tabular amounts are in thousands except share and per share amounts)

The following table summarizes the stock options as at March 31, 2017:

	Number	Weighted Avg. Exercise Price
Outstanding – December 31, 2016	**13,958,367**	**$ 3.34**
Granted	60,000	0.76
Expired	(3,367)	2.37
Forfeited	(1,373,000)	3.17
Outstanding – March 31, 2017	**12,642,000**	**$ 3.35**
Options exercisable – March 31, 2017	**5,054,997**	**$ 5.59**

b) Exercise price range for options outstanding as at March 31, 2017:

	Outstanding Options			Exercisable Options	
Price Range	**Number**	**Weighted Avg. Price**	**Weighted Avg. Remaining Life**	**Number**	**Weighted Avg. Price**
$ 0.75 - $ 1.36	2,990,000	$ 0.75	4.74 years	-	$ -
$ 1.37 - $ 1.59	3,036,000	$ 1.37	4.18 years	-	$ -
$ 1.60 - $ 2.00	2,073,000	$ 1.61	1.92 years	1,313,663	$ 1.61
$ 2.01 - $ 4.68	833,000	$ 4.68	1.12 years	833,000	$ 4.68
$ 4.69 - $ 7.07	1,305,000	$ 7.07	1.99 years	1,305,000	$ 7.07
$ 7.08 - $ 8.18	2,405,000	$ 8.10	2.32 years	1,603,334	$ 8.10
Total	**12,642,000**	**$ 3.35**	**3.16 years**	**5,054,997**	**$ 5.59**

The Company recorded share-based compensation expense (net of capitalization) for the three month period ended March 31, 2017 of $0.5 million (three month period ended March 31, 2016: $0.8 million). Capitalized share-based compensation in the amount of $0.2 million was included in property, plant and equipment for the three month period ended March 31, 2017 (three month period ended March 31, 2016: $0.4 million). A forfeiture rate of 3.0% (March 31, 2016: 3.0%) is used when recording share-based compensation. This estimate is adjusted to the actual forfeiture rate.

The Company determined the fair value of stock options granted during the three month period ended March 31, 2017 using the Black-Scholes evaluation stock option pricing model under the following assumptions:

	March 31, 2017
Weighted-average fair value ($/option)	0.39
Risk-free interest rate (%)	1.14
Expected life (years)	5
Expected volatility (%)	60.72
Dividend yield (%)	Nil

(all tabular amounts are in thousands except share and per share amounts)

c) Long-term incentive plan:

The Company has a long-term incentive plan (the "**Plan**") whereby the Company can issue incentive awards to employees, officers, directors and other service providers of the Company in the form of common shares of the Company. The awards granted vest as to one-third on each of the first, second and third anniversaries from the date of grant and have an expiry date of December 15th of the tenth year following the year in which the award was granted. As at March 31, 2017, a total of 830,000 restricted common share awards were outstanding and exercisable at various dates through to December 15, 2026.

A service cost credit of $10 thousand related to the restricted common share awards has been recognized and recorded in share-based compensation expense for the three month period ended March 31, 2017 as a result of forfeitures in the period (three month period ended March 31, 2016: service cost expense of $127 thousand). Capitalized share-based compensation in respect to the restricted common share awards of nil was included in property, plant and equipment for the three month period ended March 31, 2017 (three month period ended March 31, 2016: $27 thousand). A forfeiture rate of 3.0% was used when recording share-based compensation.

10. Financial Risk Management

Commodity Price Risk Management

The prices the Company receives for its crude oil and natural gas production may have a significant impact on its revenues and cash provided from operating activities. Any significant decline in commodity prices would adversely affect the amount of funds available for capital reinvestment purposes. As such, the Company utilizes a risk management program to partially mitigate that risk and to ensure adequate funds are available for planned capital activities and other commitments. From time-to-time, the Company may employ financial instruments to manage fluctuations in crude oil and natural gas market prices. The Company does not utilize derivative financial instruments for speculative purposes.

As at March 31, 2017, the following derivative contract was outstanding and recorded at estimated fair value:

Natural Gas:

Term	Contract Type	Volume (GJs/d)	Reference Point	Contract price per GJ	Fair value
Financial:					
April 1, 2017 – October 31, 2017	Swap	3,000	AECO 5A	Cdn. $ 3.00	**$ 240**

A $0.25 per GJ change in the future natural gas price would result in an approximate $0.1 million after-tax change in the unrealized gain on the gas commodity risk management contract in-place at March 31, 2017.

Interest Rate Risk Management

Interest rate risk is the risk that cash flow from operating activities (before changes in non-cash working capital from operating activities) will fluctuate as a result of changes in market interest rates. The Company's exposure to interest rate risk relates to its bank Credit Facility, which bears a floating interest rate. This interest rate is, under the Company's Credit Facility, subject to additional stamping fees ranging from 2.00% to 3.25% depending upon the debt-to-EBITDA ratio calculated at the Company's previous quarter end.

For the three month period ended March 31, 2017, a 1% or 100 basis point increase or decrease in market interest rates on the Company's floating rate bank debt would change net loss by an approximate $14 thousand after-tax, assuming all other variables remain constant.

Risk Management Assets and Liabilities

The Company recognizes the fair value of its risk management contracts on the statement of financial position each reporting period with the change in fair value being recognized as an unrealized gain or loss on the statement of loss. In respect to the commodity price risk management contracts, the fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the period end date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates).

Financial assets and liabilities carried at fair value are required to be classified into a hierarchy that prioritizes the inputs used to measure the fair value. At March 31, 2017, the only asset or liability measured at fair value on a recurring basis was the Company's risk management contracts, which were valued using Level 2 inputs. Assets and liabilities in Level 2 are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, bank loan and risk management liabilities. The Company funds its on-going operations and manages its liquidity risk through a combination of cash provided from operating activities, debt and equity management strategies (as needed), and asset dispositions. The Company continuously monitors and assesses its liquidity position and obligations under its financial liabilities by preparing annual and quarterly financial business plan forecasts. The Company believes it has sufficient liquidity to meet foreseeable funding requirements.

The Company closely monitors its exploration and development capital programs in relation to estimated cash provided from operating activities and available borrowings under its Credit Facility. The Company will remain disciplined and flexible with its remaining 2017 capital spending as it monitors business conditions and commodity prices, and where deemed prudent, may make adjustments to such. The Company has flexibility to adjust the level of its capital investments, as circumstances warrant.