RMP ENERGY INC

Management's Discussion & Analysis ("MD&A")

For the three month period ended March 31, 2017

Dated: May 15, 2017

Management's Discussion and Analysis

Management's discussion and analysis ("**MD&A**") is the explanation by RMP Energy Inc. (the "**Company**" or "**RMP**") of its consolidated financial performance for the period covered by the interim condensed consolidated financial statements along with an analysis of the Company's financial position. The following commentary relates to and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three month periods ended March 31, 2017 and 2016 and the audited consolidated financial statements and MD&A for the year ended December 31, 2016. All figures provided herein are reported in Canadian dollars unless otherwise stated. Unaudited financial and operating information for the three month period ended March 31, 2017 ("**Q117**"), in addition to the corresponding comparative quarter ended March 31, 2016 ("**Q116**"), are presented in tables within this MD&A.

The Company's interim condensed consolidated financial statements for the three month period ended March 31, 2017 and its audited annual 2016 consolidated financial statements, in addition to other disclosure documents, are available on the *System for Electronic Document Analysis and Retrieval* ("**SEDAR**") at www.sedar.com.

Conversions

In this MD&A, production and reserves data is commonly stated in barrels of oil equivalent using a six (6) to one (1) conversion ratio when converting thousands of cubic feet of natural gas to barrels of oil and a one-to-one conversion ratio for natural gas liquids ("**NGLs**"). Such conversion may be misleading, particularly if used in isolation. An oil equivalent conversion ratio of six (6) Mcf: one (1) Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-Looking Statements

Certain information regarding the Company contained herein may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, expectations, intentions, opinions, forecasts, projections, anticipates, guidance or other similar statements that are not statements of fact. Although RMP believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond RMP's control, including but not limited to the following: the impact of general economic conditions; volatility in market prices for crude oil, natural gas and NGLs; industry conditions; foreign exchange currency fluctuation; imprecision of proved and/or probable reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other crude oil and natural gas producers; the lack of availability of qualified personnel or management; changes in income tax laws or changes in tax laws and incentive programs relating to the crude oil and natural gas industry; hazards such as fire, explosion, blowouts and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources; the implementation of greenhouse gas emissions legislation and the other risks and uncertainties outlined in RMP's Annual Information Form for the year ended December 31, 2016 which is available on SEDAR.

Non-IFRS Measures

As an indicator of the Company's performance, the term *funds from operations* contained within the MD&A should not be considered as an alternative to, or more meaningful than, cash provided from (used in) operating, financing or investing activities, as determined in accordance with International Financial Reporting Standards ("**IFRS**"). This term does not have a standardized meaning, nor is it a financial measure, under IFRS. *Funds from operations* is widely accepted as a financial indicator of an exploration and production company's ability to generate cash which is used to internally-fund exploration and development activities and to service debt. This measure is widely used by shareholders and investors in the valuation, comparison and investment recommendations of companies within the crude oil and natural gas exploration and production industry. *Funds from operations*, as disclosed within this MD&A, represents cash provided from operating activities before: decommissioning obligation cash expenditures, changes in non-cash working capital from operating activities and non-cash changes in deferred charge. The Company presents *funds from operations* per share whereby per share amounts are calculated consistent with the calculation of earnings per share. The following table reconciles RMP's cash provided by operating activities to *funds from operations*:

($000s)	Q117	Q116
Cash provided from operating activities	**3,232**	10,038
Change in non-cash working capital from operating activities and deferred charge	**(834)**	(716)
Decommissioning obligation expenditures	**-**	170
Funds from operations	**2,398**	9,492

The Company monitors its capital structure based on a non-IFRS financial metric consisting of the ratio of *total net debt*-to-annualized *funds from operations*. *Total net debt* and/or *net debt* does not have a standardized meaning, nor is it a defined financial liability or financial measure, under IFRS. *Total net debt* and/or *net debt* as disclosed within the MD&A, represents outstanding bank debt less deferred charge plus working capital deficiency (or minus working capital surplus) excluding unrealized amounts pertaining to risk management contracts.

This MD&A includes information up to and including May 15, 2017.

Abbreviations

The following are abbreviations that are contained within this MD&A commentary:

Crude Oil and Natural Gas Liquids		**Natural Gas**	
Bbl	barrel	Mcf	thousand cubic feet
boe	barrels of oil equivalent	Mcf/d	thousand cubic feet per day
Mboe	thousand barrels of oil equivalent	MMbtu	million British Thermal Units
Bbls/d	barrels per day	GJ	gigajoule
boe/d	barrels of oil equivalent per day	GJs/d	gigajoules per day
NGLs	natural gas liquids		

Business Overview

RMP Energy Inc. is an independent crude oil and natural gas company headquartered in Calgary, Alberta, Canada with its head office located at suite 1200, 500 - 4th Avenue S.W., T2P 2V6. The Company is actively engaged in the exploration for, development and production of crude oil, natural gas and NGLs reserves primarily in the Western Canadian Sedimentary Basin within the province of Alberta, Canada. RMP's primary area of operations and current focus is located in the Montney light crude oil fairway at Waskahigan and Elmworth in West Central Alberta, with additional Alberta-based activity in Kaybob, Pine Creek and Gilby. The Company is incorporated under the laws of Alberta and its common shares are publicly listed and traded on the Toronto Stock Exchange ("**TSX**") under the trading symbol "RMP". As of May 12, 2017, RMP's market capitalization was approximately $119 million.

On August 4, 2016, RMP announced that it had initiated a process to review strategic alternatives with a view to maximizing the value of the Company's large Montney resource base. As announced, the strategic review process was expected to include, among other alternatives, the addition of capital to further develop the potential of the assets, the sale of the Company or a portion of the Company's assets, a merger, farm-in or joint venture. The Company engaged two financial co-advisors to assist RMP with this process. After a thorough process and a comprehensive review and analysis of strategic alternatives, RMP's Board of Directors (the "**Board**") unanimously approved entering into a purchase and sale agreement for the disposition of all RMP's crude oil and natural gas interests in the Ante Creek area and determined that the Ante Creek Disposition (defined hereafter) is in the best interests of RMP and its shareholders. The Board's decision was based upon, among other things, the recommendation of RMP's special committee of independent directors formed to oversee the strategic review process and the verbal fairness opinion provided by the lead financial advisor on the consideration to be received by RMP pursuant to the Ante Creek Disposition.

On November 15, 2016, the Company closed the strategic disposition of all of its crude oil and natural gas interests in the Ante Creek area of West Central Alberta for cash consideration of $114.3 million, subject to normal and customary closing adjustments (the "**Ante Creek Disposition**"). The net cash proceeds received at the closing of the Ante Creek Disposition were used to eliminate outstanding bank indebtedness.

The disposition of RMP's Ante Creek asset was transformational in nature and has strategically re-positioned the Company. Notwithstanding RMP's historical drilling success at Ante Creek and the commensurate contributions to corporate production and cash flow, the Ante Creek asset was shifting into a more mature phase and transitioning to a secondary recovery stage. The assets sold under the Ante Creek Disposition included reserves, land acreage and infrastructure facility and pipeline interests. The effective date of the Ante Creek Disposition was September 1, 2016.

The Ante Creek Disposition provides RMP with a capital structure conducive to the systematic and staged delineation of its Elmworth Montney asset in conjunction with its low-risk development of its Waskahigan Montney asset, both of which are key core areas for the Company. The objective for fiscal 2017 for the Company will be maintaining corporate base production levels through low-risk development drilling at Waskahigan while de-risking the resource potential of its Elmworth land position.

Petroleum and Natural Gas Production

During the first quarter of 2017, RMP's average daily production was 3,207 boe/d, with light crude oil and NGLs volumes comprising 37% of the first quarter production. This represents a 69% decrease over the comparative first quarter 2016 production of 10,418 boe/d and a 31% decrease from the production level of 4,652 boe/d for the preceding fourth quarter of 2016. The Company's production level was lower than the comparative first quarter of 2016 as a result of the Ante Creek Disposition and pared-back drilling activities in 2016. The Ante Creek Disposition closed on November 15, 2016, resulting in RMP's comparative first quarter 2016 production figure including Ante Creek field production for the entire quarter, while first quarter 2017 production does not include any Ante Creek field volumes. First quarter 2017 production was 21% lower than the pro-forma, normalized first quarter 2016 production of 4,064 boe/d excluding all volumes attributable to the Ante Creek field.

Additionally, production volumes in the first quarter of 2017 were muted as only one (1.0 net) of the three (3.0 net) Montney wells drilled in the first quarter was brought on-production near the end of March 2017 (the Waskahigan Montney 13-30 well). Two (2.0 net) of the three (3.0 net) Elmworth wells drilled in the first quarter of 2017 and in 2016 will not be brought on-production until the 2-23-68-3W6 Elmworth oil battery facility is commissioned for start-up, which is currently under construction with scheduled completion for early-June 2017.

	Q117	Q116	% Change
Crude oil *(Bbls/d)*	**964**	4,220	(77)
Natural gas *(Mcf/d)*	**12,179**	35,443	(66)
NGLs *(Bbls/d)*	**214**	290	(26)
Oil equivalent *(boe/d)*	**3,207**	10,418	(69)

Petroleum and Natural Gas Sales and Commodity Pricing

The Company's petroleum and natural gas ("**P&NG**") sales may fluctuate significantly from period-to-period as a result of changes in realized commodity prices and/or RMP's production volumes. Revenue from the sale of the Company's petroleum (crude oil and natural gas liquids) and natural gas is recognized when the risks and rewards of ownership of the commodity is transferred to the purchaser, based on volumes delivered to purchasers' contractual delivery points and when collection is reasonably assured by the Company. RMP takes greater than 95% of its working interest production "in-kind" and it is marketed and sold through three primary commodity purchasers.

The West Texas Intermediate ("**WTI**") at Cushing, Oklahoma is the benchmark reference price for North American crude oil prices. Canadian oil prices, including RMP's crude oil, are based on price postings, which is WTI-adjusted for transportation, quality and the U.S/Canadian dollar currency conversion rates. In the first quarter of 2017, the average WTI crude oil benchmark price increased by 5% to US$51.78/Bbl, as compared to the preceding fourth quarter of 2016 price of US$49.29/Bbl and increased 55% from the comparative first quarter 2016 price of US$33.45/Bbl. North American crude oil inventories and resilient U.S. shale oil production development continues to supress domestic oil prices for the near-term. The oil market faces many uncertainties this year in 2017, including the strength of world oil consumption growth and whether OPEC decides at its May 25, 2017 meeting to extend its lower production quotas instituted in November 2016.

The Nymex Henry Hub natural gas price averaged US$3.06/MMbtu for the three month period ended March 31, 2017, resulting in a 4% decrease from the preceding fourth quarter of 2016 average price of US$3.18/MMbtu. In comparison to the first quarter of 2016 period, the Nymex Henry Hub natural gas price increased by 54%. RMP's natural gas sales are priced with reference to the Alberta AECO 5A market reference price. The Canadian AECO natural gas price of $2.69/Mcf for the first quarter of 2017 decreased by 14% over the preceding fourth quarter of 2016 price of $3.11/Mcf and increased by 47% over the comparative first quarter of 2016 price of $1.83/Mcf. North American natural gas prices, including Alberta gas pricing, are expected to remain low as a result of an oversupplied market. This low-priced natural gas macro environment is expected to cause downward pressure on the realized gas revenues for the Company in 2017.

Given that North American crude oil and natural gas benchmark market prices are denominated in U.S. dollar currency, a slight increase in the value of the Canadian dollar compared to the U.S. dollar during the first quarter of 2017 had a negative impact on the Company's revenues.

The Company's total P&NG sales for the three month period ended March 31, 2017 decreased by 29% to $9.5 million from the preceding fourth quarter of 2016 amount of $13.4 million and decreased by 56% from the comparative first quarter 2016 sales level of $21.6 million. The lower production output accounted for the decrease in realized revenues in the first quarter of 2017.

The following table highlights RMP's realized commodity prices and market benchmark prices:

	Q117	Q116	% Change
RMP prices			
Natural gas ($/Mcf)	**2.98**	2.09	43
Crude oil ($/Bbl)	**61.39**	37.47	64
NGLs ($/Bbl)	**45.31**	18.57	144
Oil equivalent ($/boe)	**32.76**	22.80	44
Industry benchmark prices			
WTI Cushing oil (US$/Bbl)	**51.78**	33.45	55
Nymex Henry Hub spot gas (US$/MMbtu)	**3.06**	1.99	54
AECO spot gas ($/Mcf)	**2.69**	1.83	47
Exchange rate (US$/C$)	**0.7554**	0.7287	4

The following table provides the breakdown of petroleum and natural gas sales into natural gas, crude oil and NGLs sales:

($000s)	Q117	Q116	% Change
Crude oil sales	**5,326**	14,390	(63)
Natural gas sales	**3,261**	6,730	(52)
NGLs sales	**871**	491	77
Petroleum and natural gas sales	**9,458**	21,611	(56)

Commodity Price Risk Management

As a means of managing commodity price volatility and its impact on RMP's cash provided from operating activities and funds from operations, from time-to-time the Company may enter into various derivative financial instruments and physical delivery commodity contract arrangements, primarily commodity price contracts, to manage fluctuations in crude oil and natural gas market prices. Any such contracts are entered into with investment grade counter-parties that RMP believes present minimal credit risk. The Company does not utilize derivative financial instruments for speculative trading purposes.

The following table summarizes the natural gas derivative contract outstanding at March 31, 2017 and May 15, 2017:

Term	Contract Type	Volume (GJs/d)	Reference Point	Contract price per GJ
April 1, 2017 - October 31, 2017	Swap	3,000	AECO 5A	Cdn. $ 3.00

There were no derivative contracts outstanding for the comparative first quarter of 2016.

Unsettled derivative financial contracts are recorded at the date of the financial statements based on the fair value of the respective contracts. Changes in fair value result from volatility in forward commodity prices and changes in the balance of unsettled contracts between periods. The change in fair value is recognized as an unrealized gain or loss on the statement of income (loss). For the three month period ended March 31, 2017, the Company recorded a $0.3 million unrealized gain in respect of the contract outstanding at period end (March 31, 2016: nil).

Petroleum and Natural Gas Royalties

Petroleum and natural gas royalties for the quarter ended March 31, 2017 amounted to $0.8 million, with a corporate effective royalty rate of 8.5%, as compared to the first quarter 2016 royalty encumbrances of $2.3 million with a corporate effective royalty rate of 10.8%. The first quarter of 2017 corporate effective royalty rate was also lower than the preceding fourth quarter of 2016 corporate effective royalty rate of 12.0%. The decline in the corporate royalty rate from both the preceding fourth quarter of 2016 and the comparative first quarter of 2016 is due to royalties from the Ante Creek field not being reflected in the first quarter of 2017 as a result of the Ante Creek Disposition. The Ante Creek field had a higher average royalty rate in comparison to the Company's other producing fields. Thus, upon the removal of the Ante Creek field, the Company's average royalty rate is lowered. Aggregate royalties for the first quarter of 2017 are significantly lower than the comparative first quarter of 2016 due to the lower P&NG revenues recorded in the period.

Given a significant portion of the Company's production is from Crown lease lands, approximately 88% of total royalties for the three month period ended March 31, 2017 consisted of Crown royalties paid to the Government of Alberta with the remaining 12% disbursed to freehold landowners and overriding royalty holders.

($000s)	Q117	Q116	% Change
Crown	**707**	2,290	(69)
Freehold and overrides	**94**	49	92
Total royalties	**801**	2,339	(66)
Corporate royalty rate (%) [(1)]	**8.5**	10.8	(21)

(1) Royalty rate is based on P&NG sales, excluding any realized gains or losses from risk management commodity contract settlements.

On January 1, 2017, the Alberta Government's new royalty framework for the province's oil and gas industry, the Modernized Royalty Framework ("**MRF**") became effective. Wells drilled prior to January 1, 2017 will continue to be governed by the previous "Alberta Royalty Framework" for a period of 10 years until January 1, 2027. The MRF is structured in three phases: (i) Pre-Payout, (ii) Mid-Life, and (iii) Mature. During the Pre-Payout phase, a fixed 5% royalty will apply until the well reaches payout. Well payout occurs when the cumulative revenue from a well is equal to the Drilling and Completion Cost Allowance (determined by a formula that approximates drilling and completion costs for wells based on depth, length and historical costs). Post-payout, the Mid-Life phase applies a higher royalty rate than the Pre-Payout phase. Mid-life phase royalty rates are determined by resource and commodity market prices. In the Mature phase, once a well reaches the tail end of its cycle and production falls below a Maturity Threshold of 40 boe per day, the royalty rate will move to a sliding scale (based on volume and price) with a minimum royalty rate of 5%. The downward adjustment of the royalty rate in the Mature phase is intended to account for the higher per-unit fixed cost involved in operating an older well.

Operating Expenses

Total field operating expenses for the quarter ended March 31, 2017 were $3.3 million or $11.45 on an oil-equivalent per unit basis, as compared to the field production costs in the first quarter of 2016 of $4.8 million or $5.02 per boe and $4.1 million or $9.67 per boe in the preceding fourth quarter of 2016. First quarter 2017 production costs were 18% higher on an oil-equivalent per unit basis than the preceding fourth quarter of 2016 per-unit expense of $9.67 per boe. First quarter 2017 operating costs were higher due to prior period operating expenses, stimulation workovers on the two Waskahigan disposal wells and downhole pump and rod replacements on four Waskahigan wells. Per-unit operating expenses for the three months ended March 31, 2017 also increased as a result of the reduced production volumes in the first quarter of 2017 covering the fixed operating cost component, coupled with the Ante Creek Disposition. Operations from the Ante Creek field are only reflected in the Company's financials up to the date of close of the Ante Creek Disposition (November 15, 2016) and the Ante Creek field had a lower per-unit cost profile than the remainder of RMP's producing fields as a whole.

	Q117	**Q116**	**% Change**
Total ($000s)	**3,304**	4,762	(31)
Per unit ($/boe)	**11.45**	5.02	128

Transportation Expense

RMP incurs transportation costs on the crude oil and natural gas it delivers up to the title transfer point. In the first quarter of 2017, these costs primarily encompassed oil sales pipeline tariffs, pipeline fuel surcharges and transportation costs associated with firm receipt transportation service on the Alliance gas pipeline system. The cost of transporting and distributing natural gas and crude oil production to market delivery points during the quarter ended March 31, 2017 amounted to $1.0 million or $3.47 per boe, as compared to $2.5 million or $2.66 per boe for the first quarter of 2016. Increased oil pipeline tariffs and unused firm receipt gas transportation service associated with the Ante Creek Disposition resulted in higher per-unit costs as compared to the first quarter of 2016.

	Q117	**Q116**	**% Change**
Total ($000s)	**1,003**	2,522	(60)
Per unit ($/boe)	**3.47**	2.66	30

General and Administrative Expense

Corporate head office cash general and administrative ("**G&A**") costs during the quarter ended March 31, 2017 amounted to $2.2 million, as compared to $1.9 million for the first quarter of 2016, an 11% increase. The increase in cash general and administrative costs was primarily attributable to a non-recurring retiring allowance disbursed in the first quarter of 2017 in the amount of $610 thousand. Effective January 1, 2017, staff compensation levels were reduced by 10%. RMP presently employs 19 head office personnel and also engages the services of two consultants on a part-time basis.

Corporate head office general and administrative ("**G&A**") expenses during the quarter ended March 31, 2017 amounted to $1.9 million or $6.48 on an oil-equivalent per unit basis (net of recoveries and capitalization), as compared to G&A expenses of $1.6 million ($1.70 per boe) for the first quarter of 2016. The increase on a per-unit basis is attributable to lower production levels in first quarter of 2017.

($000s)	**Q117**	**Q116**	**% Change**
Gross cash	**2,158**	1,948	11
Recoveries and capitalized	**(287)**	(332)	(14)
Expensed	**1,871**	1,616	16
Per unit ($/boe)	**6.48**	1.70	281

Share-Based Compensation

Share-based compensation costs (**"SBC"**) are non-cash charges which reflect the estimated value of stock options and incentive awards issued to directors, officers and employees of RMP. The value of the award is recognized as an expense over the period from the grant date to the date of final vesting of the award. The Company capitalizes a portion of share-based compensation expense which is directly attributable to personnel involved in exploration and development capital investment activities. RMP utilizes the fair value method for measuring share-based compensation expenses. Compensation cost is measured at the grant date based on the fair value of the option using a Black-Scholes option pricing model and is recognized over the option vesting period. Some of the inputs to the option valuation model are subjective, including assumptions regarding expected stock price volatility, forfeiture rates, interest rates and terms to exercise. This compensation expense may not represent actual cash compensation realized by the recipients of the awards upon future exercise.

As of March 31, 2017, total unrecognized compensation cost of $2.6 million, related to 7.6 million unvested stock options, is expected to be recognized in future periods over the remaining vesting terms. As of 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.

The Company has a long-term incentive plan (the "**Plan**") whereby RMP can issue incentive awards to employees, officers, directors and other service providers of the Company in the form of common shares of RMP. 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 perod. As of March 31, 2017, total unrecognized SBC of $0.3 million, related to 0.6 million unvested restricted common share awards, is expected to be recognized in future periods over the remaining vesting terms.

The Company's total share-based compensation expense for the three months ended March 31, 2017, net of capitalization, was $0.5 million, as compared to $0.9 million for the first quarter of 2016 and $0.7 million for the preceding fourth quarter of 2016. The decrease in share-based compensation expense for the first quarter of 2017 from the comparative first quarter of 2016 is attributable to the graded vesting methodology required under IFRS which results in a higher recognized expense in the first year or first tranche of the option grant. Additionally, the decrease in total SBC recognized in the first quarter of 2017 is due to the forfeiture of both unvested options and unvested restricted common share awards in the period resulting in the reversal of the previously recognized SBC related to the unvested options and restricted common share awards.

($000s)	**Q117**	Q116	% Change
SBC (pre-capitalization)	**653**	1,320	(51)
SBC (capitalized)	**(201)**	(418)	(52)
SBC (net)	**452**	902	(50)

Finance Expense

($000s)	**Q117**	Q116	% Change
Interest on bank debt	**81**	880	(91)
Accretion of decommissioning obligations	**81**	97	(16)
Total finance expense	**162**	977	(83)
Average bank debt level (1)	**11,467**	118,565	(90)
Average bank debt interest rate (%)	**4.3**	3.1	39
Average bank Prime lending rate (%)	**2.7**	2.7	-

(1) Average bank debt based on the monthly average within respective periods.

Interest Charges

The Company's interest expense primarily includes cash interest paid on outstanding bank indebtedness and stand-by fees, which are bank charges calculated based on undrawn available bank credit. During the quarter ended March 31, 2017, RMP incurred $0.1 million in interest charges related to its outstanding bank debt, 91% lower than the $0.9 million incurred for the comparative 2016 period. Lower average bank debt during the first quarter of 2017 resulted in lower bank interest charges.

RMP has floating interest rate bank debt, which subjects the Company to interest rate risk. The underlying interest rate under RMP's bank credit facility, is subject to additional stamping fees ranging from 2.00% to 3.25% depending upon the Company's trailing debt-to-EBITDA ratio calculated at the Company's previous quarter-end. EBITDA, for the purpose of this calculation, is determined and defined by the lenders to the Company's credit facility and is detailed further within the *"Liquidity and Capital Resources"* section hereafter.

Accretion Expense

Accretion expense represents the change in the time value of the decommissioning and restoration obligations. Accretion expense was $81 thousand for the three month period ended March 31, 2017. Please refer to the *"Decommissioning Obligations*" section hereinafter.

The total decommissioning obligation liability may increase over a period based on new decommissioning obligations incurred from drilling wells, constructing facilities or acquiring operations. Similarly, this total obligation can be reduced as a result of abandonment work undertaken which reduces future obligations or as a result of dispositions. Adjusting the underlying assumptions used in the decommissioning obligation calculation, such as abandonment timing, cost estimates, the inflation or the discount rate, may increase or decrease the total decommissioning obligation liability.

Depletion and Depreciation

The Company's depletion and depreciation expense is calculated on a unit-of-production basis using proved plus probable oil and gas reserves. The unit-of-production rate takes into account capital expenditures incurred to-date, in conjunction with future development capital expenditures required to develop those proved plus probable reserves. As a result, the depletion and depreciation provision, on an oil equivalent per-unit basis, may fluctuate period-to-period primarily due to changes in the underlying proved plus probable reserves base and in the amount of capital costs subject to depletion and depreciation. These capital costs are segregated and depleted on an area-by-area or field component basis relative to the respective underlying proved plus probable reserves base. The carrying value of undeveloped land in exploration and evaluation assets, which has no proved and/or probable reserves assigned to it, is depreciated over its term to expiry which is also charged to depletion and depreciation expense.

RMP's depletion and depreciation expense for the quarter ended March 31, 2017 amounted to $6.3 million. On a combined unit-of-production basis, the depletion and depreciation provision for the first quarter of 2017 was $21.92 per boe. The increase in the first quarter 2017 per unit deletion and depreciation expense from the comparative first quarter 2016 rate of $20.00 per boe is primarily due to the Ante Creek Disposition occurring in the fourth quarter of 2016. The sale resulted in the removal of the Ante Creek assets from both the Company's property, plant and equipment value and RMP's year-end reserves.

The Company's depletion and depreciation expense on a per-unit basis decreased from the preceding fourth quarter of 2016 rate of $26.30 per boe as a result of the non-cash impairment charge recorded against property, plant and equipment in the fourth quarter of 2016.

	Q117	**Q116**	**% Change**
Depletion and depreciation – ($000s) (1)	**6,326**	18,961	(67)
Depletion and depreciation - per unit ($/boe)	**21.92**	20.00	10

(1) Includes depletion of the capitalized portion of the decommissioning obligation which was capitalized to the property, plant and equipment balance and is being depleted over the life of the Company's proved plus probable reserves.

Deferred Taxes

Deferred income taxes arise from differences between the accounting and tax basis of assets and liabilities. The estimate of deferred income taxes is based on the current tax status of the Company, enacted legislation and management's best estimates of future events. The effective tax rate differs from the statutory tax rate as it primarily takes into consideration permanent differences, adjustments for changes in tax rates and other tax legislation, and the actual amounts subsequently reported on RMP's corporate tax return. For the quarter ended March 31, 2017, the Company recorded a deferred tax reduction of $0.9 million, as compared to a $2.2 million deferred tax reduction recognized in the comparative period of 2016.

($000s)	Q117	Q116	% Change
Deferred tax reduction	**(865)**	(2,205)	(61)

During the first quarter, RMP was not subject to any corporate cash income tax due to significant tax pool balances, which aggregate to approximately $380 million. The following table outlines the Company's estimated tax pools as at March 31, 2017 and December 31, 2016:

Tax Pool Category (1)	Deduction Rate	March 31, 2017	December 31, 2016
		(millions)	(millions)
Canadian exploration expense (CEE)	100%	**$ 8.8**	$ 7.1
Canadian development expense (CDE)	30%	**138.4**	125.9
Canadian oil and gas property expense (COGPE)	10%	**4.7**	4.3
Non-capital losses (NCL)	100%	**101.9**	101.9
Undepreciated capital cost (UCC)	25%	**120.9**	112.9
Share issue costs and other	Various	**5.2**	5.5
Total		**$ 379.9**	$ 357.6

(1) Actual tax pool amounts may vary as corporate tax returns are finalized and filed.

Operations Netback per Boe and Net Loss per Boe

The following table highlights the Company's operating netback, funds from operations and net loss on a per boe basis for the three month periods ended March 31, 2017 and 2016. The Company's operating netback was $15.07 per boe for the first quarter of 2017, representing a 19% increase from the comparative first quarter of 2016.

Columns may not add due to rounding	Q117	Q116	% Change
($/boe)			
Petroleum and natural gas sales	**32.77**	22.80	44
Royalties	**(2.77)**	(2.47)	12
Operating expenses	**(11.45)**	(5.02)	128
Transportation	**(3.47)**	(2.66)	30
Operating netback	**15.07**	12.65	19
General and administrative expenses	**(6.48)**	(1.70)	281
Interest expense	**(0.28)**	(0.93)	(70)
Funds from operations	**8.31**	10.01	(17)
Depletion and depreciation	**(21.92)**	(20.00)	10
Accretion	**(0.28)**	(0.10)	180
Share-based compensation expense	**(1.57)**	(0.95)	65
Gain on non-monetary property exchange	**1.73**	-	-
Unrealized gain on risk management contracts	**1.17**	-	-
Deferred tax reduction	**3.00**	2.33	29
Net loss	**(9.55)**	(8.72)	10

Cash Provided from Operating Activities, Funds from Operations and Net Loss

RMP's profit and cash flow generating capability is primarily a function of commodity prices, the cost to add proved and probable reserves through drilling and acquisitions and the cost to produce its reserves. In the three month period ended March 31, 2017, the Company recorded cash provided from operating activities and funds from operations of $3.2 million and $2.4 million, respectively, and generated a net loss of $2.8 million.

($000s, except share data)	**Q117**	Q116	% Change
Cash provided from operating activities	**3,232**	10,038	(68)
Per share – basic and diluted	**0.02**	0.08	(75)
Funds from operations	**2,398**	9,492	(75)
Per share – basic and diluted	**0.02**	0.07	(71)
Net loss	**(2,758)**	(8,263)	(67)
Per share – basic and diluted	**(0.02)**	(0.06)	(67)

Decommissioning Obligations

As at March 31, 2017, the Company recorded decommissioning obligations of $15.0 million for estimated future costs to plug and abandon its crude oil and natural gas wells and to dismantle and remove associated production facilities, as compared to $14.2 million at December 31, 2016. For the three month period ended March 31, 2017, the liability increased by a total of $0.8 million, which is comprised of: i) $0.7 million of liabilities incurred as a result of RMP's first quarter 2017 capital program; and, ii) $0.1 million of accretion.

Capital Expenditures

In the first quarter of 2017, the Company incurred total capital expenditures of $24.6 million, a 35% increase from the capital expenditures incurred in the first quarter of 2016. Drilling and completions costs for the three months ended March 31, 2017 were $14.1 million, reflecting a light oil-focused exploration and development capital program consisting of two (2.0 net) Middle Montney horizontal wells at Elmworth and one (1.0 net) Montney horizontal crude oil well at Waskahigan. First quarter 2017 facilities and well equipment costs were $10.1 million, which primarily pertains to the construction of the Elmworth 2-23-68-3W6 oil battery facility and well equip and tie-in costs pertaining to the Waskahigan first quarter 2017 drilled well.

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.

RMP's first quarter capital investment programs are outlined as follows:

($000s)	**Q117**	Q116	% Change
Land	**446**	3,372	(87)
Seismic	**-**	31	(100)
Drilling and completions	**14,071**	12,767	10
Facilities and well equipment	**10,070**	1,992	406
Total exploration and development	**24,587**	18,162	35
Other (1)	**27**	89	(70)
Total capital expenditures	**24,614**	18,251	35

(1) Q117 includes capitalized G&A of $24 thousand (Q116: $80 thousand) and excludes non-cash capitalized stock-based compensation of $201 thousand (Q116: $418 thousand).

RMP closely monitors its exploration and development capital programs in relation to estimated funds from operations. The Company will remain disciplined but flexible with its 2017 capital spending as it monitors business conditions and commodity prices and, where deemed prudent, may make adjustments to its 2017 capital budget. Actual spending may vary due to a variety of factors, including drilling results, natural gas and crude oil prices, economic conditions, prevailing debt/equity markets, equipment availability, permitting and any future acquisitions. The timing of most capital expenditures is discretionary. Consequently, the Company has a significant degree of flexibility to adjust the level of its capital investments as circumstances warrant. Additionally, to enhance flexibility of the Company's capital program, RMP typically does not enter into material long-term obligations with any of its drilling contractors or service providers with respect to its operated natural gas and crude oil properties.

Liquidity and Capital Resources

RMP's primary sources of cash in the first quarter of 2017 were internally-generated cash provided from operating activities and drawings on the Company's Credit Facility.

The Company's net debt levels are directly related to its cash provided from operating activities, capital expenditures, common share financings and acquisition and disposition activity. RMP exited the first quarter with net debt of approximately $23.1 million. Going forward, as at March 31, 2017, RMP had access to available liquidity of approximately $17.4 million in available borrowing capacity under its committed Credit Facility (as defined and described hereinafter) net of outstanding issued letters of credit of $1.8 million.

($000s)	March 31, 2017	December 31, 2016	% Change
Bank debt	**20,868**	-	-
Working capital deficit (1)	**2,233**	885	152
Net debt	**23,101**	885	-
Credit Facility borrowing limit	**40,000**	40,000	-
Book capitalization (2)	**333,714**	333,646	-
Market capitalization (3)	**108,734**	114,737	(5)

(1) Reflects current assets (excluding non-cash risk management) plus deferred charge less current liabilities (excluding non-cash risk management).
(2) Reflects the book value of share capital, as reported on the Company's statements of financial position.
(3) Based on the market closing price of RMP's stock and the outstanding number of common shares at period-end.

During the first quarter of 2017, the Company generated $3.2 million of cash provided from operating activities and incurred capital expenditures of $24.6 million. Historically, RMP has funded its exploration and development capital program primarily through a combination of cash provided from operating activities, drawdowns on the Company's bank Credit Facility or by issuing equity. Such sources of funding continue to be available to RMP.

As at March 31, 2017, the Company had in-place a committed, extendible revolving bank facility (the "**Credit Facility**") underwritten by a two-bank lending syndicate (the "**Lenders**"), with a borrowing base limit associated with the Credit Facility of $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 can 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 crude oil and natural gas reserves and using commodity prices estimated by the Lenders, as well as other factors. The Credit Facility is secured by a fixed and floating charge debenture of $500 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 ("**EBITDA**") by the summation of interest expense for the current and three immediately preceding quarters.

Interest-Coverage Bank Covenant:

($000s)					
	TOTAL	Q117	Q416	Q316	Q216
Net loss	**(80,514)**	(2,758)	(65,508)	(4,469)	(7,779)
Interest expense	**2,345**	81	339	986	939
Deferred tax reduction	**(26,902)**	(865)	(22,488)	(1,102)	(2,447)
Depletion and depreciation	**48,536**	6,326	11,259	15,104	15,847
Accretion expense	**368**	81	87	102	98
Share-based compensation	**2,779**	452	651	884	792
Impairment	**115,563**	-	115,563	-	-
Unrealized loss (gain) on risk management contracts	**(240)**	(338)	(650)	(554)	1,302
Gain on non-monetary property exchange	**(884)**	(500)	-	-	(384)
Gain on property disposition	**(36,216)**	-	(35,541)	(675)	-
Earnings for interest-coverage covenant calculation	**24,835**				
Interest expense	**2,345**				
Calculated interest-coverage	**10.6 times**				
Covenant required interest-coverage	**3.5 times**				

The Company was in compliance with this covenant as at March 31, 2017, and expects that it will continue to be in compliance with this financial covenant under its Credit Facility. As at March 31, 2017 and May 12, 2017, the Company had $20.9 million and approximately $21 million, respectively, drawn on the Credit Facility.

LIQUIDITY ($000s)	**Q117**	**Q116**
Cash and cash equivalents, beginning of period	**404**	-
Net cash from (used in):		
Operating activities	**3,232**	10,038
Financing activities	**20,868**	14,221
Investing activities	**(24,504)**	(24,259)
Change in cash and cash equivalents	**(404)**	-
Cash and cash equivalents, end of period	**-**	-

Capital Structure and Resources

The Company's capital resources consist primarily of cash provided from operations, available bank lines of credit and the issuance of equity. RMP's Management believes the Company will have the necessary capital resources to fund its planned 2017 capital spending program and meet working capital requirements primarily through cash provided from operations and drawings on the Company's Credit Facility. RMP's cash provided from operations depends on a number of factors, including commodity prices, production volumes, royalties, operating and transportation expenses, and foreign exchange rates.

The Company's objectives when managing its capital structure are to maintain an optimal capital structure in order to reduce its cost of capital, safeguard the business as a going concern, maintain financial flexibility to preserve its access to capital markets and its ability to meet financial obligations, and to finance internally-generated growth in addition to potential acquisitions. RMP manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company considers its capital structure to include shareholders' equity, debt and working capital. To maintain or adjust the capital structure, RMP may from time-to-time, issue common shares, dispose of non-core assets, raise debt and/or adjust its capital spending to manage its current and projected debt levels.

RMP monitors its capital structure based on the current and projected ratio of total net debt-to-annualized funds from operations. The Company's objective is to maintain a net debt-to-annualized funds from operations ratio of less than two times, however, the ratio is affected by business cycles and may increase at certain times. For example, as a result of acquisitions or a precipitous decrease in commodity prices. To facilitate the management of this ratio, the Company prepares annual capital budgets and business plan forecasts, which are updated on a regular basis depending on varying factors such as general market conditions and successful capital deployment.

Ratio of net debt-to-annualized funds from operations:		
($000s)	**March 31, 2017**	**March 31, 2016**
Outstanding bank debt	**20,868**	103,085
Working capital and deferred charge deficit (surplus), excluding risk management contracts	**2,233**	(8,700)
Total net debt	**23,101**	94,385
Cash provided from operating activities for the three months ended March 31, 2017 and 2016	**3,232**	10,038
Decommissioning expenditures for the three months ended March 31, 2017 and 2016	**-**	170
Change in non-cash working capital for the three months ended March 31, 2017 and 2016	**(834)**	(716)
Funds from operations for the three months ended March 31, 2017 and 2016	**2,398**	9,492
Annualized funds from operations	**9,592**	37,968
Net debt-to-annualized funds from operations	**2.41**	2.49

Common Share Information

RMP's authorized capital consists of an unlimited number of voting common shares. The number of common shares of the Company outstanding as at March 31, 2017 was 151.0 million.

			2016 Quarterly Comparison			
		Q117	**Q416**	**Q316**	**Q216**	**Q116**
TSX Share Price:	High	**$ 0.90**	$ 1.07	$ 1.28	$ 1.97	$ 1.68
	Low	**$ 0.63**	$ 0.62	$ 0.90	$ 1.11	$ 0.99
	Close	**$ 0.72**	$ 0.76	$ 1.04	$ 1.24	$ 1.43
Average daily trading volume		**452,749**	707,045	1,414,356	2,436,402	1,666,903
Shares outstanding - period end		**151,019,234**	150,970,068	150,970,068	150,970,068	150,970,068
Weighted average basic and diluted		**150,987,836**	150,970,068	150,970,068	150,970,068	128,628,475

	TSX Trading Price Range		
2017 Monthly	**High ($)**	**Low ($)**	**Total Period Volume**
January	0.90	0.69	13,656,000
February	0.86	0.73	6,664,000
March	0.81	0.63	8,203,200

The following table summarizes the common shares, stock options and restricted share awards outstanding at the indicated dates:

	May 12, 2017(1)	**March 31, 2017**	**December 31, 2016**
Common shares	**151,019,234**	**151,019,234**	150,970,068
Stock options	**8,099,000**	**12,642,000**	13,958,367
Restricted share awards	**830,000**	**830,000**	1,077,500

(1) As detailed in aforementioned section *Share-based compensation*, subsequent to March 31, 2017, 4,543,000 options with a weighted average exercise price of $7.18 per option were surrendered for cancellation.

Commitments

In the normal course of business, the Company has entered into various commitments that will have an impact on its future operations. These commitments primarily relate to debt repayments, an operating lease relating to RMP's corporate head office space, natural gas, crude oil and NGLs transportation and capital commitments pertaining to the Company's Elmworth oil battery facility infrastructure project. All such commitments and obligations reflect market conditions prevailing at the time of the respective contracts and none are with related parties. RMP believes it has sufficient sources of capital to fund all commitments and obligations as they may come due.

The following table summarizes the Company's various contractual obligations and commitments as at March 31, 2017:

($000s)	2017	2018	2019	2020	2021	Thereafter	Total
Bank debt (1)	-	20,868	-	-	-	-	20,868
Head office operating lease (2)	461	616	205	-	-	-	1,282
Oil transportation	3,404	5,156	3,098	1,417	419	486	13,980
Gas transportation	2,933	3,278	114	113	84	25	6,547
NGLs transportation	59	112	92	71	59	201	594
Capital commitments	1,596	-	-	-	-	-	1,596
Total	8,453	30,030	3,509	1,601	562	712	44,867

(1) Refer to Note 5 in the interim condensed consolidated financial statements for the three month period ended March 31, 2017.

(2) Pertains to lease payments associated with the Company's Calgary, Alberta head office lease, including an estimate of the Company's share of operating, utilities, property taxes and parking for the duration of the office lease.

Financial Highlights

The following table summarizes RMP's key quarterly financial results for the past eight quarters:

	Q117	Q416	Q316	Q216	Q116	Q415	Q315	Q215
Production								
Natural gas *(Mcf/d)*	**12,179**	**17,110**	29,163	28,779	35,443	36,352	34,650	44,765
Oil and NGLs *(Bbls/d)*	**1,177**	**1,801**	3,259	3,628	4,510	5,198	5,225	6,163
Average boe/d *(6:1)*	**3,207**	**4,652**	8,119	8,425	10,418	11,257	11,000	13,625
Commodity Prices (1)								
Natural gas *($/Mcf)*	**2.98**	**2.79**	2.64	1.60	2.09	3.26	3.47	3.40
Oil and NGLs *($/Bbl)*	**58.47**	**54.21**	49.78	48.86	36.25	48.69	51.55	63.16
Oil equivalent *($/boe)*	**32.76**	**31.24**	29.47	26.51	22.80	33.00	35.43	39.74

($000s, except per share amounts)	Q117	Q416	Q316	Q216	Q116	Q415	Q315	Q215
Financial Results								
P&NG sales (1)	**9,458**	**13,371**	22,015	20,325	21,611	34,178	35,852	49,268
Net loss	**(2,758)**	**(65,508)**	(4,469)	(7,779)	(8,263)	(32,380)	(45,307)	(1,755)
Per share – basic and diluted	**(0.02)**	**(0.43)**	(0.03)	(0.05)	(0.06)	(0.26)	(0.37)	(0.01)
Cash provided by operations	**3,232**	**4,984**	9,027	8,690	10,038	19,776	20,220	27,788
Per share – basic and diluted	**0.02**	**0.03**	0.06	0.06	0.08	0.16	0.16	0.23
Funds from operations	**2,398**	**3,373**	9,290	7,429	9,492	18,725	17,001	31,115
Per share – basic and diluted	**0.02**	**0.02**	0.06	0.05	0.07	0.15	0.14	0.25
Total assets	**293,417**	**276,160**	458,637	462,746	453,300	452,767	494,548	539,599
Total other long-term liabilities	**35,834**	**14,230**	124,732	136,472	122,901	140,919	170,380	165,220

(1) Commodity prices and petroleum and natural gas sales include realized gains or losses from risk management commodity contract settlements.

As indicated in the Financial Highlights above, the Company's quarterly average daily production crested above 13,000 boe/d in the second quarter of 2015 as a result of the start-up of RMP's second Ante Creek battery facility. The decrease in the Company's third quarter 2015 production level was the result of normal field declines, RMP's deliberate shut-in of its Kaybob Montney field during the quarter in response to low commodity prices and fewer newly-drilled wells being brought on-stream in that quarter due to a lower level of drilling activity by the Company in the preceding second quarter of 2015. Quarterly average daily production decreased to 8,425 boe/d in the second quarter of 2016 as a result of an unscheduled outage of a mid-stream-operated gas plant in the Kaybob area due to a mechanical failure of its sulphur-handling infrastructure, pared-back drilling activity and natural field declines. Quarterly average daily production of 8,119 boe/d in the third quarter of 2016 reflects reduced drilling activity and natural field declines. The decrease of quarterly average daily production to 4,652 boe/d in the fourth quarter of 2016 reflects the Ante Creek Disposition closing on November 15, 2016 and both crude oil and natural gas sales pipelines restrictions in October 2016. Quarterly average daily production of 3,207 boe/d in the first quarter of 2017 declined from the previous quarter as a result of the Ante Creek Disposition (no volume from the Ante Creek field is reflected in the first quarter 2017 production figure).

RMP's petroleum and natural gas sales fluctuate from quarter-to-quarter as a result of changes in commodity prices and/or production volumes. Please refer to the "*Petroleum and Natural Gas Sales and Commodity Pricing"* section hereafter for additional information.

Quarterly net income is impacted by the fluctuations in petroleum and natural gas sales, non-cash impairment charges, gains recognized on the disposition of assets, and unrealized gains and losses on risk management contracts. Specifically, the significant decrease in commodity market prices since the third quarter of 2014 has resulted in the Company recording non-cash impairment charges of $12.8 million in the fourth quarter of 2014, $51.5 million in the third quarter of 2015, $37.3 million in the fourth quarter of 2015 and $115.6 million in the fourth quarter of 2016, respectively, which has affected RMP's reported amount of earnings.

The Company's total assets have decreased primarily as a result of the above mentioned non-cash impairment charges to property, plant and equipment and the Ante Creek Disposition. The decrease in total other long-term liabilities in both the first quarter of 2016 and the fourth quarter of 2015 is primarily due to decreased bank debt drawdowns on the Company's bank credit facility as a result of a pared-back level of capital expenditures. The significant decrease in other long-term liabilities in the fourth quarter of 2016 is due to the Company paying off its entire outstanding bank debt balance in that quarter with the proceeds from the Ante Creek Disposition.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements, special purpose entities, financing partnerships or guarantees, other than as disclosed in this section. RMP has a head office lease agreement, as disclosed in the aforementioned *Commitments* table, which was entered into in the normal course of business operations. The lease has been treated as an operating lease, rental arrangement whereby the lease payments are included in G&A expenses. No asset or liability value has been assigned to these leases on the statement of financial position as at March 31, 2017.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Company has designed disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's certifying CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Company has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on January 1, 2017 and ended on March 31, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

No material changes in the Company's disclosure controls and procedures and its internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires RMP's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis and are based on the Company's management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected.

Critical Judgments in Applying Accounting Policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

The Company's assets are aggregated into cash generating units for the purpose of calculating impairment. Cash generating units ("**CGU**" or "**CGUs**") are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs was based on management's judgment in regards to geographical proximity, geology, production profile, shared infrastructure and similar exposure to market risk and materiality. Based on this assessment, the Company's CGUs are generally composed of significant development areas. The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of proved and/or probable reserves, production rates, future crude oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

Judgments are made by management to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings.

Key Sources of Estimation Uncertainty

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these consolidated financial statements.

Estimation of recoverable quantities of proved and probable reserves include estimates and assumptions regarding future commodity prices, foreign currency exchange rates, discount rates and operating and transportation costs for future cash flows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries of reserves. The economic, geological and geophysical, and other technical factors used to estimate proved plus probable reserves may change from period to period. Changes in reported reserves can affect the non-cash impairment of assets, the provision for decommissioning obligations, the economic feasibility of exploration and evaluation assets, the recognition of deferred tax assets and the amounts reported for depletion and depreciation of property, plant and equipment. These reserve estimates are prepared in accordance with the *Canadian Oil and Gas Evaluation Handbook* by independent qualified reserves engineers, who work with information provided by the Company to establish reserve determinations based on the guidance stipulated by National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities.*

The Company estimates the decommissioning obligations for crude oil and natural gas wells and their associated production facilities. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost, and the estimate of the liability specific discount rates to determine the present value of these cash flows.

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of crude oil and natural gas properties based upon the estimation of recoverable quantities of proved and probable reserves being acquired.

The Company's estimate of the depletion and depreciation of property, plant and equipment is based on estimates of proved and probable reserves and the associated future development costs.

The Company's estimate of non-cash share-based compensation is dependent upon estimates of historic stock price trading volatility, interest rates, expected terms to exercise and forfeiture rates.

The Company's estimate of the fair value of derivative financial instruments is dependent on estimated forward crude oil and natural gas prices, expected interest rates, expected future foreign currency exchange rates and expected volatility in these variables.

The deferred tax asset or liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

Accounting Pronouncements

The following pronouncements from the International Accounting Standards Board ("**IASB**") will become effective for financial reporting periods beginning on or after January 1, 2017 and have not yet been adopted by the Company. These new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application:

- IFRS 15 – "*Revenue from Contracts with Customers*" contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning on or after January 1, 2018.
- IFRS 9 – "*Financial Instruments"* addresses the classification and measurement of financial assets, and 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 single 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. IFRS 9 also requires a single impairment method to be used, replacing the multiple methods in IAS 39. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions.
- IFRS 16 – "*Leases*" requires the recognition of most leases on the balance sheet, and effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the lease term is twelve months or less and for leases of low value items. IFRS 16 accounting treatment for lessors is unchanged, which provides the choice of classifying a lease as either a finance or operating lease. The new standard is effective for annual periods beginning on or after January 1, 2019.

The Company is currently assessing the effect of adopting these standards on its consolidated financial statements. The Company will adopt IFRS 15, IFRS 9 and IFRS 16 when the standards are effective.

Business Risks and Uncertainties

The Company's exploration and development activities are focused in the Western Canadian Sedimentary Basin within the province of Alberta, which is characterized as being highly competitive with competitors varying in size from small junior producers to significantly larger, fully-integrated energy companies possessing greater financial and personnel resources. In the normal course of business, RMP is exposed to a variety of business risks and uncertainties that can have an effect on its financial condition.

The Company recognizes certain risks inherent in the crude oil and natural gas industry, such as access to crude oil and natural gas services, weather-related delays with drilling and operational plans, finding and developing crude oil and natural gas reserves at economic costs, drilling risks, producing crude oil and natural gas in commercial quantities, environmental and safety risks, and commodity price and political risks and uncertainties. RMP has engaged professional senior management and seasoned technical personnel, possessing many years of experience in the crude oil and natural gas business and intellectual capacity, to address, prudently manage and mitigate these risks. Please see the Company's website to reference the backgrounds and qualifications of RMP's senior leadership team, which can be sourced at www.rmpenergyinc.com under the *Management* hyperlink contained on the website face page.