RMP ENERGY INC

Interim Condensed Consolidated Financial Statements

(unaudited)

For the three and six month periods ended June 30, 2017

Dated: August 14, 2017

RMP ENERGY INC.

Interim Condensed Consolidated Statements of Financial Position

(unaudited) (thousands)	June 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ -	$ 404
Accounts receivable	6,245	8,187
Prepaid expenses and deposits	992	942
Risk management contracts (Note 10)	264	-
	7,501	9,533
Deferred charge	2,146	2,229
Property, plant and equipment (Note 4)	236,909	212,386
Exploration and evaluation assets (Note 3)	7,074	10,259
Deferred tax asset	43,290	41,783
	$ 296,920	$ 276,190
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 7,016	$ 12,647
Risk management contracts (Note 10)	-	98
Bank debt (Note 5)	29,181	-
Decommissioning obligations (Note 7)	15,859	14,230
	52,056	26,975
Shareholders' Equity		
Share capital (Note 8)	333,714	333,646
Contributed surplus	37,100	35,907
Deficit	(125,950)	(120,338)
	244,864	249,215
	$ 296,920	$ 276,190

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		Six Months Ended	
	June 30, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Revenue				
Petroleum and natural gas sales	**$ 9,454**	$ 20,370	**$ 18,912**	$ 41,981
Royalties	**(440)**	(3,742)	**(1,241)**	(6,081)
Revenue, net of royalties	**9,014**	16,628	**17,671**	35,900
Realized gain (loss) on risk management contracts (Note 10)	**98**	(45)	**98**	(45)
Unrealized gain (loss) on risk management contracts (Note 10)	**24**	(1,302)	**362**	(1,302)
	9,136	15,281	**18,131**	34,553
Expenses				
Operating	**3,531**	4,043	**6,835**	8,805
Transportation	**1,227**	2,742	**2,230**	5,264
General and administrative	**1,294**	1,430	**3,165**	3,046
Share-based compensation (Note 9)	**385**	792	**837**	1,694
Finance costs (Note 6)	**343**	1,037	**505**	2,014
Depletion and depreciation (Notes 3, 4)	**5,852**	15,847	**12,178**	34,808
Gain on non-monetary property exchange	**-**	(384)	**(500)**	(384)
	12,632	25,507	**25,250**	55,247
Loss before taxes	**(3,496)**	(10,226)	**(7,119)**	(20,694)
Deferred tax reduction	**(642)**	(2,447)	**(1,507)**	(4,652)
Net loss and comprehensive loss	**$ (2,854)**	$ (7,779)	**$ (5,612)**	$ (16,042)
Net loss per share (Note 8b)				
Basic and diluted	**$ (0.02)**	$ (0.05)	**$ (0.04)**	$ (0.11)

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	-	-	-	-	(5,612)	(5,612)
Share-based compensation expensed	-	-	-	837	-	837
Share-based compensation capitalized	-	-	-	424	-	424
Issue of common shares – restricted common share award exercises	49	-	-	-	-	-
Transfer from contributed surplus – restricted common share award exercises	-	68	-	(68)	-	-
Balance, June 30, 2017	151,019	$ 333,714	$ -	$ 37,100	$ (125,950)	$ 244,864
Balance, December 31, 2015	126,475	$300,621	$ 2,885	$ 28,337	$ (34,319)	$ 297,524
Net loss for the period	-	-	-	-	(16,042)	(16,042)
Share-based compensation expensed	-	-	-	1,694	-	1,694
Share-based compensation capitalized	-	-	-	785	-	785
Issue of common shares	24,495	34,538	-	-	-	34,538
Share issue costs, net of tax of $558	-	(1,513)	-	-	-	(1,513)
Transfer of warrants to contributed surplus upon expiry	-	-	(2,885)	2,885	-	-
Balance, June 30, 2016	150,970	$333,646	$ -	$ 33,701	$ (50,361)	$ 316,986

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		Six Months Ended	
	June 30, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Cash provided from (used in):				
Operating activities				
Net loss	**$ (2,854)**	$ (7,779)	**$ (5,612)**	$ (16,042)
Adjustments for non-cash items:				
Depletion and depreciation	**5,852**	15,847	**12,178**	34,808
Accretion on decommissioning obligations	**86**	98	**167**	195
Share-based compensation	**385**	792	**837**	1,694
Deferred tax reduction	**(642)**	(2,447)	**(1,507)**	(4,652)
Unrealized loss (gain) on risk management contracts	**(24)**	1,302	**(362)**	1,302
Decommissioning expenditures	**-**	(5)	**-**	(175)
Gain on non-monetary property exchange	**-**	(384)	**(500)**	(384)
Change in non-cash working capital and deferred charge	**(1,134)**	1,266	**(300)**	1,982
	1,669	8,690	**4,901**	18,728
Financing activities				
Increase (decrease) in bank loan	**8,313**	9,064	**29,181**	(9,215)
Issue of common shares	**-**	-	**-**	34,538
Share issue costs	**-**	(33)	**-**	(2,071)
	8,313	9,031	**29,181**	23,252
Investing activities				
Exploration and evaluation asset expenditures	**(49)**	(2,568)	**(6,431)**	(10,088)
Property, plant and equipment expenditures	**(6,467)**	(4,937)	**(24,699)**	(15,668)
Property acquisition	**-**	(10,020)	**-**	(10,020)
Change in non-cash working capital	**(3,466)**	(196)	**(3,356)**	(6,204)
	(9,982)	(17,721)	**(34,486)**	(41,980)
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 and six months ended June 30, 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 August 14, 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	6,931
Transfer to PP&E	(9,079)
Balance at June 30, 2017	$ 22,347

	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	(1,684)
Transfer to PP&E	647
Balance at June 30, 2017	$ (15,273)
Net E&E carrying amounts:	
At December 31, 2016	$ 10,259
At June 30, 2017	$ 7,074

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	24,699
Change in decommissioning obligations	1,462
Capitalized share-based compensation	424
Transfer from E&E	9,079
Balance at June 30, 2017	$ 769,422

	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	(10,494)
Transfer from E&E	(647)
Balance at June 30, 2017	$ (532,513)

Net PP&E carrying amounts:	
At December 31, 2016	$ 212,386
At June 30, 2017	$ 236,909

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 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 requiring an impairment test to be performed at June 30, 2017.

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

5. Bank Facility

As at June 30, 2017, the Company had a committed, extendible revolving bank facility (the "**Credit Facility**") underwritten by a two-bank syndicate (the "**Lenders**"), with a maximum borrowing base limit of $40.0 million. Borrowings under the Credit Facility are available on a fully revolving basis until August 31, 2017, at which time the Company can request approval by the Lenders for an extension for an additional 364 days or convert the outstanding bank indebtedness to a one-year term loan with full repayment due on July 23, 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 limit redetermination is scheduled for August 31, 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 maintenance covenant, an interest-coverage ratio of at least 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 June 30, 2017.

6. Finance Costs

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Interest expense on bank debt	$ 257	$ 939	$ 338	$ 1,819
Accretion expense on decommissioning obligations	86	98	167	195
Total finance costs	$ 343	$ 1,037	$ 505	$ 2,014

7. Decommissioning Obligations

The following table summarizes the changes in decommissioning obligations for the six month period ended June 30, 2017 and the year ended December 31, 2016:

	June 30, 2017	December 31, 2016
Balance - beginning of period	$ 14,230	$ 18,503
Accretion expense	167	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	807	(577)
Decommissioning expenditures	-	(186)
Balance - end of period	$ 15,859	$ 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 $15.9 million as at June 30, 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 2.13% (December 31, 2016: 2.31%). During the six months ended June 30, 2017, the decommissioning obligation increased by $1.6 million as a result of liabilities incurred during the period, accretion and due to changes in estimate related to changes in discount rate.

8. Share Capital

a) Authorized - Unlimited number of voting common shares.

b) Per Share Amounts

For both the three and six month periods ended June 30, 2017, there were 6,968,000 stock options ($1.16 average exercise price), 0.5 million restricted common share awards ($1.49 average exercise price) and nil warrants (three and six month periods ended June 30, 2016: 11.0 million options, 1.1 million restricted common share awards and nil warrants) excluded in calculating the weighted average number of diluted common shares outstanding.

Weighted average shares outstanding:	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Basic	151,019,234	150,970,068	151,003,622	139,799,271
Diluted	151,019,234	150,970,068	151,003,622	139,799,271

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 8% 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 June 30, 2017, a total of 6,968,000 stock options with a weighted average exercise price of $1.16 per option were outstanding and exercisable at various dates through to January 3, 2022.

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

The following table summarizes the stock options as at June 30, 2017:

	Number	Weighted Avg. Exercise Price
Outstanding – December 31, 2016	**13,958,367**	**$ 3.34**
Granted	60,000	0.76
Expired	(924,367)	1.60
Forfeited	(1,583,000)	2.88
Cancelled	(4,543,000)	7.18
Outstanding – June 30, 2017	**6,968,000**	**$ 1.16**
Options exercisable – June 30, 2017	**1,374,663**	**$ 1.44**

b) Exercise price range for options outstanding as at June 30, 2017:

	Outstanding Options			Exercisable Options	
Price Range	Number	Weighted Avg. Price	Weighted Avg. Remaining Life	Number	Weighted Avg. Price
$0.75 - $1.36	2,870,000	$ 0.75	4.49 years	-	$ -
$1.37 - $1.59	2,946,000	$ 1.37	3.93 years	982,000	$ 1.37
$ 1.60 - $2.00	1,152,000	$ 1.62	3.10 years	392,663	$ 1.63
Total	**6,968,000**	**$ 1.16**	**4.02 years**	**1,374,663**	**$ 1.44**

The Company recorded share-based compensation expense in respect to the Company's stock options (net of capitalization) for the three and six month periods ended June 30, 2017 of $0.5 million and $1.0 million (three and six month periods ended June 30, 2016: $0.6 million and $1.4 million). A forfeiture rate of 3.0% (June 30, 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 six month period ended June, 2017 using the Black-Scholes evaluation stock option pricing model under the following assumptions:

	June 30, 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

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 June 30, 2017, a total of 533,332 restricted common share awards were outstanding and exercisable at various dates through to December 15, 2026.

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

Service cost recoveries (net of capitalization) of $179 thousand and $189 thousand related to the restricted common share awards have been recognized and recorded in share-based compensation expense for the three and six month periods ended June 30, 2017, respectively, as a result of forfeitures in the period (three and six month periods ended June 30, 2016: service costs expense of $151 thousand and $278 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.

At June 30, 2017, the following derivative contract was outstanding and recorded at estimated fair value:

Natural Gas:

Remaining Term	Contract Type	Volume (GJs/d)	Reference Point	Contract price per GJ	Fair value
Financial:					
July 1, 2017 – October 31, 2017	Swap	3,000	AECO 5A	Cdn. $ 3.00	**$ 264**

A $0.25 per GJ change in the future natural gas price would result in an approximate $67 thousand after-tax change in the unrealized gain on the gas commodity risk management contract in-place at June 30, 2017.

Interest Rate Risk Management

Interest rate risk is the risk that cash provided 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 six month period ended June 30, 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 $62 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 June 30, 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 non-core 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.