MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A"), dated May 3, 2016, is management's assessment of the historical financial position and results of Seven Generations Energy Ltd. (the "Company" or "Seven Generations") for the three months ended March 31, 2016. This MD&A should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the years ended December 31, 2015 and 2014 (the "consolidated financial statements") and the unaudited condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2016 (the "condensed consolidated financial statements"). These condensed consolidated financial statements, including the comparative figures, were prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all financial measures are expressed in Canadian dollars and tabular dollar amounts are in thousands. See "Non-IFRS Financial Measures" for information regarding the following non-IFRS financial measures used in this MD&A: "funds from operations", "operating income", "operating netback", "available funding" and "net debt". This MD&A contains forward looking information based on the Company's current expectations and projections. For information on the material factors and assumptions underlying such forward looking information, refer to the "Forward Looking Information Advisory" included at the end of this MD&A. A number of abbreviated terms used throughout this MD&A are explained on the last page of this MD&A. Additional information about Seven Generations is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended December 31, 2015 dated March 8, 2016 (the "AIF").

ABOUT SEVEN GENERATIONS

Seven Generations is a low supply cost, high-growth Canadian natural gas developer generating long-life value from its liquids-rich Kakwa River Project, located about 100 kilometres south of its operations headquarters in Grande Prairie, Alberta. As at December 31, 2015, the Company's total gross proved plus probable reserves were 859 MMboe as evaluated by McDaniel & Associates Consultants Ltd. ("McDaniel"), the Company's independent qualified reserves evaluator.

Seven Generations differentiates itself based on four key strategies:

- financial stability: profitable growth to achieve positive free cash flow;
- full-cycle profitability: earn a return on capital employed across the entire commodity cycle;
- stakeholder interests: recognizing that in a competitive world, only those who best serve their stakeholders can expect to survive in the long term; and
- innovation: applying innovation and technology to remain among North America's lowest supply cost unconventional gas developers.

Seven Generations' corporate headquarters are in Calgary and its Class A Common Shares ("Common Shares") trade on the TSX under the symbol VII.

HIGHLIGHTS FOR THE FIRST QUARTER ENDED MARCH 31, 2016

Financial Performance

Seven Generations is pleased to report its results for three months ended March 31, 2016:

- Record high production of 88,525 boe/d, up 14% from average production of 77,699 boe/d in the fourth quarter of 2015 and 82% higher than the first quarter of 2015;
- Generated funds from operations of $110.7 million, an increase of 27% from the same period in 2015;
- Closed a bought deal financing for net proceeds of approximately $287 million, issuing 21,428,600 Common Shares for $14.00 per share;
- Focused capital investments of $267.1 million in the Kakwa River Project. In January, the capital program was reduced by 18% from the first announced budget in November. The Company's 2016 capital investments include a drilling program, plus completing and tying in an inventory of 58 wells that were already in the construction phase at the end of 2015 and building Super Pads, gathering pipelines and completing major production and natural gas processing facilities; and
- At the end of March, the 250 MMcf/d Cutbank natural gas processing plant was brought on-stream, ten days early and about 25% under budget. Total processing capacity at the Kakwa River Project is now 510 MMcf/d, enabling the Company to ship and sell its liquids-rich natural gas into the Chicago marketplace.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

The following table presents selected operational and financial information:

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands, except per share and volume data)			
Production			
Condensate (bbls/d)	**28,423**	15,810	80
NGLs (bbls/d)	**22,611**	12,042	88
Liquids (bbls/d)	**51,034**	27,852	83
Natural gas (MMcf/d)	**225**	125	80
Total Production (boe/d)	**88,525**	48,768	82
Liquids ratio	**58%**	57%	1
Financial			
Operating income (1)	**9,310**	23,998	(61)
Per share - diluted	**0.03**	0.09	(67)
Revenue (2)	**260,547**	104,607	149
Net income (loss) for the period	**138,449**	(82,698)	267
Per share - diluted	**0.50**	(0.34)	247
Funds from operations (1)	**110,654**	86,889	27
Per share - diluted	**0.40**	0.32	25
Total capital investments	**267,134**	368,400	(27)
Adjusted working capital	**447,611**	381,385	17
Available funding (1)	**1,260,447**	1,193,385	6
Net debt (1)	**1,013,427**	505,234	101
Debt outstanding	**1,451,528**	1,546,761	(6)
Weighted average shares – diluted	**278,932**	270,497	3

(1) See “Non-IFRS Financial Measures”.
(2) Represents the total of liquids and natural gas sales, net of royalties, and includes net gains/losses on risk management contracts and other income.

Operating income

Seven Generations recorded operating income of $9.3 million for the first quarter of 2016 despite the depressed commodity price environment given record production and decreases to per unit operating expenses. Operating income was 61% lower than the first quarter of 2015 due to lower realized hedging gains and higher interest charges.

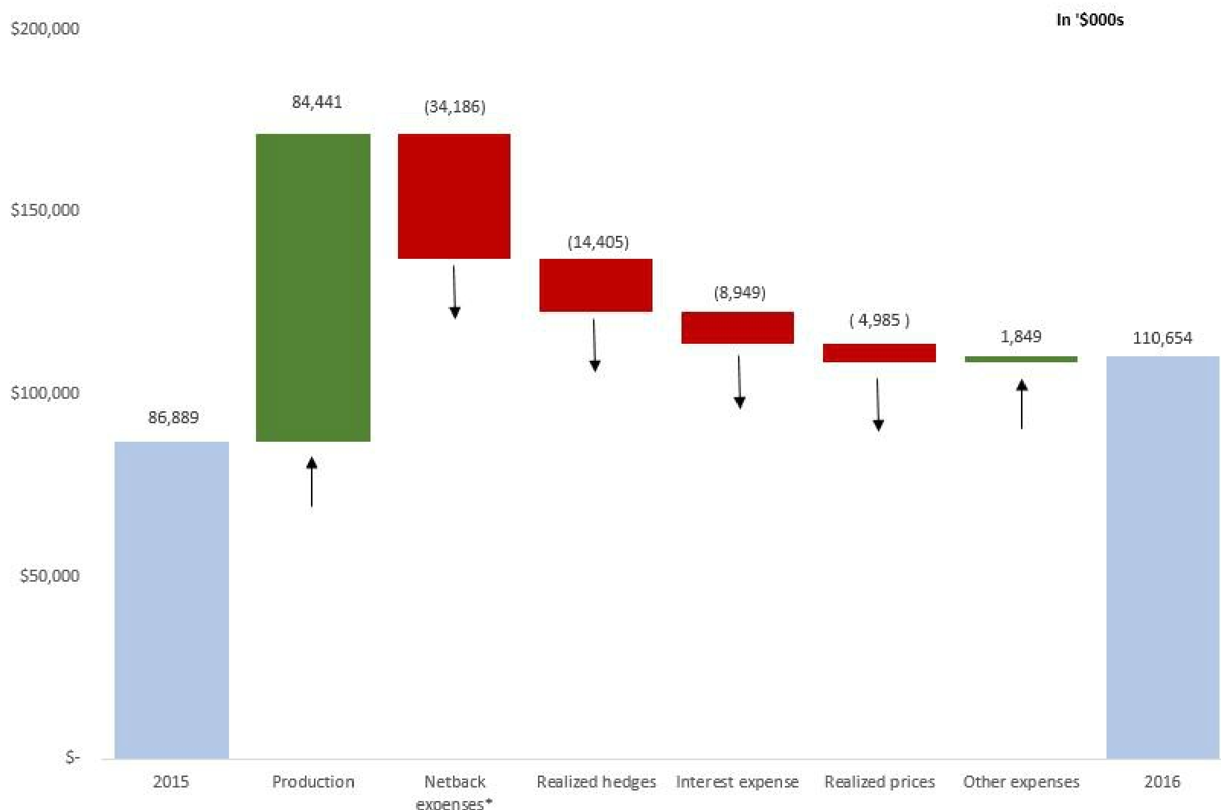
Net income (loss)

For the first quarter of 2016, the Company recognized a net income of $138.4 million compared to a net loss of $82.7 million for the same period in 2015, due mostly to improvements in the Canadian dollar translating into unrealized foreign exchange gains on the senior notes and unrealized hedging gains.

Funds from operations

Seven Generations generated funds from operations of $110.7 million, an increase of $23.8 million over the same period in 2015, mostly due to the increase in production offset by higher transportation and interest expense. Realized hedging gains were lower in the first quarter of 2016 than the same period in 2015, as higher priced hedges rolled off.

Funds from operations for the three months ended March 31, 2016:



*Netback expenses include royalties, operating expense and transportation.

Capital investments

For the three months ended March 31, 2016, Seven Generations invested $267.1 million in the focused development of the Kakwa River Project, its core area. The construction of the Cutbank natural gas plant, with a planned capacity of 250 MMcf/d, was completed at the end of March. The Cutbank natural gas plant is the second processing facility to come on-stream following the 2015 fourth quarter commissioning of the Lator natural gas complex supporting the Company's growing production levels.

The Company continued its pace of drilling, spudding 15 wells and rig releasing 15 wells in the Nest of the Kakwa River Project, utilizing a maximum of ten rigs, drilling Upper and Middle Montney wells at an average horizontal length of 2,694 meters and an average spud to rig release time of 38.5 days, 25% faster than the first quarter of 2015. At the end of the first quarter of 2016, Seven Generations dropped its rig count to five rigs. Completions pumped nearly 85,900 tonnes of sand over 487 stages at an average of 1.5 tonnes per meter to complete 18 wells. The Company continues to benefit from cost savings and efficiencies in the drilling and completions of wells, resulting in 23% lower per well costs, from approximately $13.0 million in the first quarter of 2015 to $10.0 million for the first quarter of 2016. These per well costs for the first quarter of 2016 do not include the cost for drilling of one well which was abandoned in the quarter due to stuck pipe in the wellbore.

11 net wells were tied-in and brought on-stream in the first quarter of 2016 contributing to record production levels. At March 31, 2016, Seven Generations had an inventory of 72 wells in various stages of construction.

Available funding

The Company had available funding of $1.3 billion at March 31, 2016 and during the first quarter of 2016, closed an equity financing for net proceeds of approximately $287 million. The Company expects that the proceeds from this private placement, coupled with funds from operations and available funding, will support the ongoing capital investment program in 2016. Available funding is comprised of $447.6 million of adjusted working capital and $812.8 million of credit capacity.

Operating netback

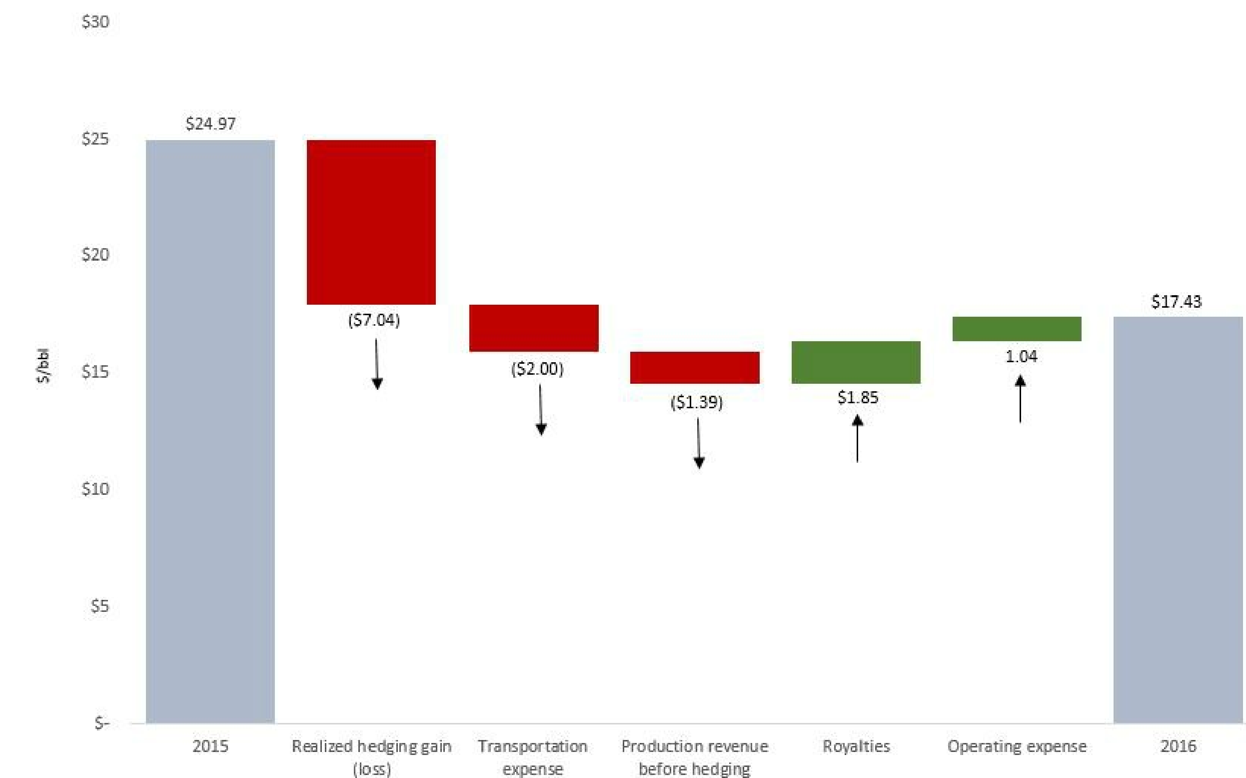
	Three months ended March 31,		
	2016	2015	**% Change**
Liquids and natural gas sales	**$ 23.34**	$ 24.73	(6)
Realized hedging	**4.50**	11.54	(61)
Royalties	**(1.61)**	(3.46)	(53)
Operating expenses	**(3.85)**	(4.89)	(21)
Transportation	**(4.95)**	(2.95)	68
Operating netback per boe [(1)]	**$ 17.43**	$ 24.97	(30)

(1) See “Non-IFRS Financial Measures”.

Operating netback for the first quarter of 2016 was $17.43/boe, lower by $7.54/boe compared to $24.97/boe in the same period in 2015. The 30% decrease is primarily due to higher price hedges rolling off, reducing realized hedging gains. In 2015, the Company had hedged its liquids at $102/bbl compared to $70/bbl hedges in the first quarter of 2016.

The impact of low commodity prices on realized pricing was offset by lower royalties and operating expenses. Royalties decreased due to new wells eligible for incentive programs as well as lower commodity prices. Operating expenses, in absolute dollars, were higher in the first quarter of 2016 compared to the same period in 2015, due to higher field activity given the significant increase in production. Higher production and continued efficiency gains lowered operating expenses on a per boe basis, which helped to offset the realized price declines.

Operating netback for the three months ended March 31, 2016:



Daily Production

	Three months ended March 31,		
	2016	2015	**% Change**
Condensate (bbls/d)	**28,423**	15,810	80
NGLs (bbls/d)	**22,611**	12,042	88
Natural gas (MMcf/d)	**225**	125	80
Total (boe/d)	**88,525**	48,768	82
Liquids ratio	**58%**	57%	1

In the first quarter of 2016, the Company achieved record production of 88,525 boe/d, an increase of 82% from the same period in 2015, due to capital investments made in the Kakwa River Project. Production volumes were higher than the fourth quarter of 2015 by 14%, which averaged 77,699 boe/d.

At the end of the first quarter of 2016, the commissioning of the Cutbank natural gas processing plant was complete and the Cutbank sales pipeline began flowing liquids rich natural gas on the Alliance Pipeline. For the month of April 2016, the Company's production averaged 105,000 boe/d.

WELL INFORMATION

	Three Months Ended March 31,				
Number of wells [(1)]	**2016**		2015		**% Change**
Drilled - gross (net) [(2)]	**15**	**(15.0)**	23	(22.5)	(35)
Completed - gross (net)	**18**	**(18.0)**	17	(16.5)	6
Brought on production - gross (net)	**11**	**(11.0)**	16	(15.5)	(31)

(1) The well counts include only horizontal Montney wells. Drill counts are based on the rig release date and brought on production counts are based on the first production date after the well is tied in.

(2) During the drilling of Kakwa100/2-19-63-4 W6 on Pad 8-25, the well was abandoned due to stuck pipe in the wellbore which became unfishable. This well was not reported in the above list.

At March 31, 2016, Seven Generations had an inventory of 72 wells at various stages of construction between drilling, completions and tie in and 117 Montney horizontal wells producing within the Kakwa River Project (2015 - 45 wells under construction and 57 wells producing).

Commodity Pricing

	Three months ended March 31,		
	2016	2015	**% Change**
Average Benchmark Prices			
Oil – WTI (US$/bbl)	**33.45**	48.58	(31)
Natural gas - NYMEX (US$/MMbtu)	**1.99**	2.81	(29)
Natural gas - Chicago Citygate (US$/MMbtu) [(1)]	**2.25**	3.31	(32)
Natural gas – AECO NGX 5A ($/GJ)	**1.73**	2.61	(34)
Average exchange rate – US$ to C$	**0.73**	0.81	(10)

(1) Represents Chicago Citygate monthly index price

At the beginning of the first quarter of 2016, commodity price hit multi-year lows as global inventories continued to build. WTI fell in the first quarter of 2016 by 31% and Chicago Citygate decreased by 32% compared to the same period in 2015. Partially in response to lower oil prices, the Canadian dollar weakened by 10% relative to the US dollar in the first quarter of 2016.

The Company realized the following commodity prices (before hedging):

	Three months ended March 31,		
	2016	2015	**% Change**
Condensate and oil ($/bbl)	**39.92**	47.59	(16)
NGLs ($/bbl)	**8.96**	10.41	(14)
Natural gas ($/Mcf)	**3.24**	2.62	24
Total ($/boe)	**23.34**	24.73	(6)

The Company's average realized pricing for condensate decreased to $39.92/boe, a decrease of 16%. WTI, the main driver of the Company's realized condensate prices, fell by 31%, to US$33.45/bbl for the first quarter of 2016. The decrease in WTI was offset by a weaker Canadian dollar.

The Company’s average realized prices for the NGL product stream decreased by 14% in the first quarter of 2016 to $8.96/bbl, due to lower benchmark prices. Approximately 75% of the Company’s NGLs were sold in the US Midwest market and 25% in the Alberta market. The average realized prices for NGLs reflect a combination of prices for ethane, propane, butane and pentanes plus. The product mix of NGLs is approximately 1/3 ethane, 1/3 propane, 1/5 butane and 1/10 pentanes plus. NGL realized prices were somewhat insulated from WTI weakness due to winter heating demand that helped support propane pricing.

For the first quarter of 2016, Seven Generations' average realized natural gas price was $3.24/Mcf, an increase of 24% compared to the same period in 2015. As of December 1, 2015, the Company started selling its natural gas directly into the Chicago market where it receives a higher US dollar denominated, Chicago Citygate price. Prior to December 2015, Seven Generations' realized natural gas price was based on an AECO based price, net of pipeline tariffs, that settles at a significant discount to Chicago Citygate. When comparing the Company's realized natural gas price to the 2016 first quarter AECO price equivalent, the AECO price was $2.11/Mcf, 54% lower than $3.24/Mcf.

At the end of the first quarter of 2016, the commissioning of the Cutbank natural gas processing plant was complete and the Cutbank sales pipeline began flowing liquids rich natural gas on the Alliance Pipeline. The terms of the agreement will allow Seven Generations to transport all of its liquids rich gas volumes out of the oversupplied Alberta market and into the US Midwest market, realizing higher prices benchmarked off of the Chicago Citygate index.

Liquids and natural gas sales

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands, except per boe data)			
Condensate and oil	**101,994**	67,707	51
NGLs	**19,411**	9,413	106
Natural gas	**66,591**	31,420	112
Liquids and natural gas sales [(1)]	**187,996**	108,540	73
Liquids and natural gas sales per boe	**$ 23.34**	$ 24.73	(6)

(1) Excluding realized gains or losses on risk management contracts.

Liquids and natural gas sales for the first quarter of 2016 were $188.0 million compared to $108.5 million for the same period in 2015. Production volumes increased 82%, boosting revenues by $84.4 million offset by $5.0 million for reduced commodity prices.

Risk Management Contracts

The Company utilizes financial hedges to reduce commodity price volatility and partially protect funds from operations. The Company is authorized to hedge up to 65% of forecasted condensate and natural gas production volumes (net of royalties) for the upcoming four quarters, up to 35% of forecasted volumes for the subsequent four quarters and up to 20% for the four quarters following. Price targets are established at levels that are expected to provide a threshold rate of return on capital investment based on a combination of benchmark oil and natural gas prices, projected well performance and capital efficiencies.

The Company's risk management program resulted in the following:

	Three months ended March 31,		
	2016	2015	% **Change**
($ thousands, except per boe data)			
Realized gain [1]	**36,250**	50,655	(28)
Unrealized gain (loss) [2]	**44,237**	(41,092)	(208)
Risk management gain	**80,487**	9,563	742
Realized gain per boe	**$ 4.50**	$ 11.54	(61)

(1) Represents actual cash settlements or receipts under the respective contracts.
(2) Represents the change in fair value of the contracts during the period.

Realized gains reflect positive cash settlements on derivative contracts settled each month. For the first quarter of 2016, realized gains were $36.3 million, a decrease of 28%, due to higher price contracts in the first quarter of 2015.

The fair value of unsettled derivatives is recorded as an asset or liability with the change in the mark-to-market position of contracts recorded as an unrealized gain or loss in the statements of income and comprehensive income. As at March 31, 2016, the fair value of the risk management contracts was a net asset position of $167.4 million (December 31, 2015 – net asset position of $123.2 million). For the three months ended March 31, 2016, the unrealized gain of $44.2 million reflects the change in value of outstanding hedge contracts.

The Company had the following risk management contracts in place at March 31, 2016:

	2016	**2017**	**2018**
Liquids hedging			
WTI hedged (bbl/d) [1]	13,667	9,750	7,250
Average floor (C$/bbl)	$ 70.05	$ 66.80	$ 60.80
Average ceiling (C$/bbl)	$ 80.35	$ 77.64	$ 72.93
Natural gas hedging			
Natural gas hedged (MMbtu/d)	123,333	105,000	47,500
Average Chicago Citygate swap (US$/MMbtu)	$ 3.19	$ 3.10	$ 2.80
Average swap (C$/MMbtu) [2]	$ 4.01	$ 4.00	$ 3.83
FX hedging			
US$ notional hedged (millions)	$ 108.21	$ 118.82	$ 48.46
Average rate	$ 1.2562	$ 1.2878	$ 1.3690

(1) Includes C$40.00/bbl puts of sold puts on 3-way collars for 2,000 bbls/d in 2017 and 4,000 bbls/d in 2018.
(2) Chicago Citygate converted to C$/MMbtu at average C$/US$ hedge rate.

For a complete listing and terms of Seven Generations' commodity contracts at March 31, 2016, see Note 16 "Financial Instruments and Risk Management Contracts" in the condensed consolidated financial statements.

Royalty Expense

	Three months ended March 31,		
	2016	2015	% **Change**
($ thousands, except per boe data)			
Royalties	**12,954**	15,181	(15)
Royalties per boe	**$ 1.61**	$ 3.46	(53)
Effective royalty rate	**7%**	14%	(50)

For the first quarter of 2016, royalties were $13.0 million, a decrease of 15% primarily due to incentive programs available to the Company for new wells brought on-stream. The average royalty rate as a percentage of revenues was 7%.

All of Seven Generations' production is in the Province of Alberta. All royalties are paid to the provincial government of Alberta. Alberta Crown royalties are invoiced on the Crown's share of production based on a monthly established Alberta Reference Price. In September 2015, the Alberta government established a panel to conduct a review of the royalty framework. On January 29, 2016, the recommendations of the Royalty Review Advisory Panel were finalized and a new royalty framework will come into effect in 2017. The Alberta government has indicated returns under the new system should be roughly equivalent to the existing framework.

Other Income

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands, except per boe data)			
Marketing revenue	**4,175**	—	100
Interest and other income	**637**	1,300	(51)
Processing and third party income	**206**	385	(46)
Other income	**5,018**	1,685	198
Other income per boe	**$ 0.62**	$ 0.38	63

Marketing revenue relates to a margin earned from optimizing Seven Generations capacity on the Alliance Pipeline. For the first quarter ended March 31, 2016, marketing revenue was $4.2 million.

For the first quarter of 2016, interest and other income was $0.6 million, a decrease of 51% due to higher average cash balances in 2015.

Operating Expenses

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands, except per boe data)			
Equipment rental, maintenance and other	**9,709**	7,743	25
Trucking and disposal	**9,810**	6,436	52
Chemicals and fuel	**5,884**	2,334	152
Staff and contractor costs	**3,753**	3,545	6
Other	**1,825**	1,396	31
Operating expenses	**30,981**	21,454	44
Operating expenses per boe	**$ 3.85**	$ 4.89	(21)

For the first quarter of 2016, operating expenses were $3.85 on per boe basis, a decrease of 21% from the same period in 2015, due to the achievement of record high production. On an absolute dollar basis, higher operating expenses were attributable to the newly operating Lator natural gas complex. Operating costs comprise both a fixed component and variable component and the newly commissioned Cutbank natural gas plant is expected to add a certain level of fixed costs in the short term. For the variable component, Seven Generations continues to focus on lowering costs by working with its suppliers. The Company expects to continue to realize further benefit of some operational efficiencies such as better negotiated disposal rates in the coming quarters.

Transportation Expenses

($ thousands, except per boe data)	Three months ended March 31, 2016	2015	% Change
Pipeline tariffs	**30,010**	—	nm
Trucking and other	**9,842**	12,966	(24)
Transportation expense	**39,852**	12,966	207
Transportation expense per boe	**$ 4.95**	$ 2.95	68

Transportation expenses were $39.9 million for the first quarter of 2016, an increase of $26.9 million, due to the inclusion of Alliance pipeline tariffs and higher production. For the three months ended March 31, 2016, transportation expense included $30.0 million of pipeline tariffs (three months ended March 31, 2015 - $Nil). Transportation, excluding pipeline tariffs, decreased on an absolute dollar and per boe basis compared to the same period in 2015 due to a higher percentage of liquids production transported via pipeline as well as efficiency initiatives.

General and Administrative Expenses

($ thousands, except per boe data)	Three months ended March 31, 2016	2015	% Change
Personnel	**5,853**	5,236	12
Professional fees	**369**	460	(20)
Rent	**417**	403	3
Information technology costs	**764**	582	31
Other office costs and travel	**2,172**	1,434	51
Gross General and administrative expenses	**9,575**	8,115	18
Capitalized salaries and benefits	**(1,095)**	(1,030)	6
Operating overhead recoveries	**(495)**	(456)	9
General and administrative expenses	**7,985**	6,629	20
General and administrative expenses per boe	**$ 0.99**	$ 1.51	(34)

Gross general and administrative expenses were $9.6 million for the first quarter of 2016, an increase of $1.5 million, due to higher office costs due to a higher head count. On a unit of production basis, net general and administration expenses were $0.99/boe, a decrease of 34%, due to the significant increase in production combined with management's continued efforts to maintain a low cost structure.

Capitalized staff costs are attributable to head office personnel involved with the capital and infrastructure development of the Kakwa River Project. For the three months ended March 31, 2016 and 2015, capitalized staff costs were approximately $1.1 million.

Overhead recoveries relate to spending incurred on properties with minority partners. Overhead recoveries were $0.5 million for the three months ended March 31, 2016 and 2015.

Depletion, Depreciation and Amortization

($ thousands, except per boe data)	Three months ended March 31, 2016	2015	% Change
Depletion, depreciation and amortization	**89,358**	60,043	49
Depletion, depreciation and amortization per boe	**$ 11.09**	$ 13.68	(19)

For the first quarter of 2016, depletion, depreciation and amortization expense was $89.4 million compared to $60.0 million for the same period in 2015. The difference is mostly due to higher production volumes. Depletion per barrel decreased due to decreases in estimated future development costs.

Stock Based Compensation

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands)			
Gross stock based compensation	**6,922**	4,132	68
Capitalized stock based compensation	**(2,076)**	(1,180)	76
Stock based compensation expense	**4,846**	2,952	64

Gross stock based compensation was $6.9 million, an increase of $2.8 million, due mostly to stock based compensation expense from the Performance and Restricted Share Unit Plan ("PRSU Plan") grants in 2015. The PRSU Plan was adopted in August 2014 and the first grants were issued under this plan in the third quarter of 2015.

For the three months ended March 31, 2016, capitalized stock based compensation was $2.1 million compared to $1.2 million for the same periods in 2015. Capitalized stock based compensation is attributable to personnel involved with the capital and infrastructure development of the Kakwa River Project.

Finance Expense

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands)			
Interest on senior notes	**29,298**	17,820	64
Revolving credit facility fees and other	**1,222**	503	143
Amortization of premium and debt issue costs	**76**	(235)	(132)
Accretion	**422**	289	46
Total finance costs	**31,018**	18,377	69
Capitalized borrowing costs	**(3,670)**	(350)	949
Finance expense	**27,348**	18,027	52

Interest expense on senior notes for the first quarter of 2016 was $29.3 million (US$21.6 million) compared to $17.8 million (US$14.4 million) for the same period in 2015. In April 2015**,** the Company issued US$425.0 million of additional senior notes bearing interest at 6.75% with a 2023 maturity. Interest on senior notes is recorded in Canadian dollars, using average monthly exchange rates. The weak Canadian dollar increased interest on senior notes by 10% quarter over quarter.

The standby fees and other charges associated with the Company's revolving credit facility increased to $1.2 million for the three months ended March 31, 2016 compared to $0.5 million in the same period of 2015, due to standby fees being calculated on a larger borrowing base. As at March 31, 2015, the credit facility capacity was $850.0 million.

For the three months ended March 31, 2016, the Company capitalized interest and financing costs of $3.7 million related to the Cutbank natural gas plant, which came on-stream at the end of the quarter.

Foreign Exchange (Gain) Loss

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands, except per exchange rates)			
Unrealized foreign exchange (gain) loss on senior notes	**(96,846)**	75,877	(228)
Unrealized foreign exchange loss (gain) on cash held in foreign currencies	**446**	(6,971)	(106)
Realized foreign exchange gain	**(201)**	(242)	(17)
Net foreign exchange (gain) loss	**(96,601)**	68,664	(241)
Average exchange rate – US$ to C$	**0.73**	0.81	(10)

Unrealized foreign exchange gains and losses mostly relate to the senior notes, denominated in US dollars. The senior notes mature in 2020 (US$700.0 million) and 2023 (US$425.0 million), respectively. For the three months ended March 31, 2016, the average exchange rate for the Canadian dollar to US dollar equivalent was 0.73, a decline of 10% compared to the same period in 2015. During the first quarter of 2016, however, the Canadian dollar improved slightly, up to 0.76 at the end of March compared with 0.72 at December 31, 2015, translating into unrealized foreign exchange gains of $96.8 million on the senior notes for the first quarter of 2016.

Realized foreign exchange gains and losses relate to the actual conversion of US dollars to Canadian dollars and the settlement of normal revenues and expenditures denominated in US dollars. Total realized foreign exchange gains were $0.2 million for the three months ended March 31, 2016.

Income Tax Expense (Recovery)

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands)			
Current income tax expense	**86**	—	100
Deferred income tax expense (recovery)	**18,243**	(3,430)	(632)
	18,329	(3,430)	(634)

For the three months ended March 31, 2016, the Company recorded income tax expense of $18.3 million. Of this amount, $18.2 million was recorded as deferred income tax expense mostly related to the net income in the period offset by the permanent differences such as the tax impact of unrealized foreign exchange gains of $12.9 million and stock based compensation of $1.3 million that also impacted the deferred income tax provision. The change in previous unrecognized tax benefit of $12.8 million decreased the deferred income tax expense for the first quarter of 2016.

The Company recorded $0.1 million of current income tax expense relating to foreign sourced income earned from the Company's subsidiary activity in the US. Total tax pools in Canada at March 31, 2016 were $2.6 billion. Of this amount, $0.5 billion is available in 2016 for deduction in computing taxable income.

Capital Investments

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands)			
Land acquisitions	**367**	780	(53)
Drilling and completions	**152,572**	263,881	(42)
Facilities and equipment	**107,601**	100,723	7
Other [(1)]	**6,594**	3,016	119
Total capital investments	**267,134**	368,400	(27)

(1) Other includes capitalized salaries and benefits, capitalized interest and office investments.

In November 2015, the Board approved a 2016 capital investment program of $1.1 billion to $1.15 billion. In January 2016, the Company updated its business plan in response to persisting low commodity prices and announced a revised investment plan of $900 million to $950 million. For the first quarter of 2016, the Company invested $267.1 million, comprised of 57% drilling and completions, 40% facilities and 3% for capitalized G&A and corporate office investments. The capital investments in the first quarter of 2016 maintained Seven Generations' focus in its core area at the Kakwa River Project.

Ten drilling rigs were utilized during the quarter. The Company used its batch drilling methodology to spud 14 wells, rig release 15 wells and dropped down to five drilling rigs at the end of the quarter. The Company applied a combination of slickwater and foam based fracs to complete 18 wells in the first quarter of 2016, using an average of 4,770 tonnes of sand per well or 1.5 tonnes per meter, at an average of 27 stages per well. Seven Generations continues to benefit from innovative methods and differentiating techniques to optimize well performance and lower average per well costs. Drilling and completion average costs per well for the first quarter of 2016 were approximately $10 million, a decrease of 23% compared to the same period in 2015.

Facility investments included the completion and commissioning of the Cutbank natural gas processing plant. The Cutbank natural gas plant, with a processing capacity of approximately 250 MMcf/d, came on-stream ten days early and 25% under budget. The construction of the 29 km, 24" Cutbank sales pipeline connecting the Cutbank plant with the Alliance Pipeline was completed. The Company now has total processing capacity of 510 MMcf/d from the two natural gas processing plants at Lator and Cutbank. Construction of the new Super Pad at 4-14 was also completed, further supporting significant production growth at Kakwa. Seven Generations' Super Pads are designed to facilitate raw gas dehydration and free liquid separation from the liquids rich natural gas, enabling a steady flow of production.

At March 31, 2016, Seven Generations controls approximately 416,000 net acres of Montney land (over 431,000 net acres of lands overall) with an average working interest of 98%. At December 31, 2015, McDaniel estimated the Company's Montney land to support approximately 693 net wells (83% undrilled), which have gross 2P reserves of 859 MMboe.

LIQUIDITY AND CAPITAL RESOURCES

The capital structure of the Company is as follows:

As at	**March 31, 2016**	December 31, 2015
($ thousands)		
Net debt [(1)]	**1,109,389**	158,270
Market capitalization [(2)]	**5,431,051**	3,429,540
Total capitalization	**6,540,440**	3,587,810

(1) See "Non-IFRS Financial Measures".
(2) Market capitalization is calculated using the total common shares outstanding at March 31, 2016 multiplied by the closing share price of $19.55 at March 31, 2016 (closing share price of $13.48 at December 31, 2015).

At March 31, 2016, the Company had cash and cash equivalents of approximately $570.9 million and adjusted working capital of $447.6 million. In February 2016, the Company completed a private placement of 21,428,600 Common Shares at a price of $14.00 per share for net proceeds of approximately $287 million. Net proceeds are anticipated to support the 2016 capital investment program.

In April 2015, the Company completed a private placement of US$425.0 million of senior notes, bearing interest at 6.75%, which mature in 2023. Net proceeds from this debt financing were $503.7 million The Company also has US$700 million of senior notes outstanding, bearing interest at 8.25%, which mature in 2020. All of the senior notes the Company has issued are denominated in US dollars. Since the closing of these offerings, the decline of the Canadian dollar has increased the amount of senior notes outstanding recognized at March 31, 2016.

Subject to certain exceptions and qualifications, the senior unsecured notes have no financial covenants but limit the Company's ability to, among other things: make payments and distributions; incur additional indebtedness; issue disqualified or preferred stock; create or permit liens to exist; make certain dispositions; transfer assets; and engage in amalgamations, mergers or consolidations. At March 31, 2016, the Company was in compliance with the covenants on the senior notes.

The Company and its lending syndicate agreed to an amendment to the senior secured revolving credit arrangement that increased the borrowing capacity to $850.0 million at December 31, 2015. At March 31, 2016, the available amount to draw against the credit facility was $812.8 million adjusted for letters of credit.

The Company's objective for managing capital continues to be a focus on a strong balance sheet, the drive toward free cash flow and optimizing its capital base to provide financial flexibility for continued growth and development. The

Company strives to grow and maximize long-term shareholder value by ensuring it has the financing capacity to fund projects that are expected to add value to shareholders. The Company will strive to balance the proportion of debt and equity in its capital structure to take into account the level of risk being incurred in its capital investments.

At March 31, 2016, the Company had available funding of $1.26 billion. The Company's capital investments for 2016 are expected to be between $900 million and $950 million. The 2016 capital investment program will continue to focus development of the Kakwa River Project. Seven Generations plans to fund capital investments in 2016 from cash on hand and funds from operations.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTRACTS

Financial instrument classification and measurement

The Company's financial instruments include cash and cash equivalents, accounts receivable, deposits, risk management contracts, accounts payable and accrued liabilities, the credit facility and senior notes.

The Company's financial instruments that are carried at fair value on the balance sheets include cash and cash equivalents and risk management contracts. The senior notes are carried at amortized cost, net of transaction costs and accrete to the principal balance on maturity using the effective interest rate method. The fair value of senior notes is approximately $1,436.9 million as at March 31, 2016 (December 31, 2015 - $1,354.0 million).

Seven Generations classifies the fair value of these instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed in the marketplace.
- Level 3 - Valuations in this level are those inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents are classified as Level 1 measurements. Risk management contracts and fair value disclosure for the senior notes are classified as Level 2 measurements. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. Seven Generations does not have any fair value measurements classified as Level 3. There were no transfers within the hierarchy in the three months ended March 31, 2016 and 2015. The carrying value of the Company's accounts receivable, deposits, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments.

Financial assets and financial liabilities subject to offsetting

The Company's risk management contracts are subject to master netting agreements that create a legally enforceable right to offset by counterparty the related financial assets and financial liabilities on the Company's balance sheets.The following is a summary of financial assets and financial liabilities that are subject to offset:

As a March 31, 2016	Gross amounts of recognized financial assets (liabilities)	Gross amounts of recognized financial assets (liabilities) offset in balance sheet	Net amounts of recognized financial assets (liabilities) recognized in balance sheet
Risk management contracts			
Current asset	**122,693**	**(3,897)**	**118,796**
Long-term asset	**71,990**	**(17,199)**	**54,791**
Current liability	**(8,624)**	**3,897**	**(4,727)**
Long-term liability	**(18,615)**	**17,199**	**(1,416)**
Net position	**167,444**	**—**	**167,444**

As at December 31, 2015	Gross amounts of recognized financial assets (liabilities)	Gross amounts of recognized financial assets (liabilities) offset in balance sheet	Net amounts of recognized financial assets (liabilities) recognized in balance sheet
Risk management contracts			
Current asset	102,343	(3,773)	98,570
Long-term asset	62,939	(9,943)	52,996
Current liability	(22,093)	3,773	(18,320)
Long-term liability	(19,982)	9,943	(10,039)
Net position	123,207	—	123,207

The following is a summary of the carrying value of risk management contracts in place by contract type:

	March 31, 2016	December 31, 2015
Natural gas	**58,924**	58,087
Oil	**109,802**	93,478
Foreign exchange swap	**(1,282)**	(28,358)
Net position	**167,444**	123,207

CONTRACTUAL OBLIGATIONS

Seven Generations enters into contractual obligations in the ordinary course of conducting its business. The following table lists the Company's estimated material contractual obligations at March 31, 2016:

	Total	Less than 1 year	1-3 years	4-5 years	Thereafter
($ thousands)					
Senior notes [(1)]	**1,461,038**	—	—	909,090	551,948
Interest on senior notes	**601,343**	112,257	336,771	102,639	49,676
Firm transportation and processing agreements [(2)]	**1,928,097**	159,513	745,578	542,180	480,826
Operating leases [(3)]	**12,192**	1,772	5,319	2,583	2,518
Deferred obligation and retention [(4)]	**2,728**	2,728			—
Estimated contractual obligations	**4,005,398**	276,270	1,087,668	1,556,492	1,084,968

(1) Balance represents US$1.1 billion principal converted to Canadian dollars at the closing exchange rate for the period end.
(2) Subject to completion of certain pipeline and facility upgrades by the counterparty transportation company.
(3) The Company is committed under operating leases for office premises.
(4) In November 2014, the Board of Directors approved a retention bonus plan for management and employees in aggregate of $6.0 million, payable over the two-year period starting November 5, 2014. Of this amount, $2.7 million is payable in 2016.

The following significant firm commitments are included within the Company's firm transportation and processing agreements at March 31, 2016:

	2016	2017	2018	2019	2020	Expiring
Natural gas						
Alliance (MMcf/d)	338	455	493	500	500	October 31, 2022
TCPL [(1)]	—	—	54	107	107	June 30, 2026
Total (MMcf/d)	338	455	547	607	607	
Oil						
Pembina (bbls/d)	—	—	126	189	629	December 31, 2027
Condensate						
Pembina (bbls/d)	8,806	8,806	30,003	30,003	30,003	December 31, 2027
NGLs						
Pembina (bbls/d)	—	—	17,612	17,612	39,438	December 31, 2027

(1) The timing of the firm commitments held with TransCanada Pipeline is dependent upon the completion of the TransCanada's Nova Gas Transmission Ltd. (NGTL) system expansion expected mid-2018.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has certain fixed lease arrangements which were entered into in the normal course of operations. All material leases are classified as operating leases, where the lease payments are included in operating expenses or G&A expenses depending on the nature of the lease. These arrangements are disclosed in Note 18 to the condensed consolidated financial statements of the Company. No asset or liability has been recorded for these leases on the balance sheet at March 31, 2016 or December 31, 2015.

The Company enters into physical delivery sales contracts to monetize production. These instruments are not used for trading or speculative purposes. These contracts are considered normal sales contracts and are not recorded at fair value in the condensed consolidated financial statements.

The Company enters into physical delivery contracts at the terminus of the Alliance Pipeline in Chicago on a month-to-month spot and on a term contract basis. Pricing of the physical delivery contracts is variable based on published North American natural gas indices. As at March 31, 2016, the Company committed, on a term contract basis, to deliver into the Alliance Chicago Exchange an average of approximately 300,000 MMbtu/d of natural gas for calendar 2016, 113,500 MMbtu/d of natural gas for calendar 2017 and 40,000 MMbtu/d of natural gas for calendar 2018.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of Class A Common Voting Shares and an unlimited number of Class B Common Non-Voting Shares without nominal or par value. As at May 3, 2016, Seven Generations had 277,935,372 Class A Common Voting Shares, Nil Class B Common Non-Voting Shares, 11,091,235 stock options, 17,560,900 performance warrants, 146,443 Performance Share Units ("PSUs"), 266,567 Restricted Share Units and 65,069 Deferred Share Units outstanding.

The vesting of PSUs are conditional on the satisfaction of certain performance criteria as determined by the Company's Board of Directors. If the Company satisfies the performance criteria, PSUs become eligible to vest and a pre-determined multiplier is applied to eligible PSUs. In calculating stock based compensation for the PSUs, the Company has used an adjustment factor of 1.0, which assumes that the Company will be within the 50% percentile of its relative peer group, based on total shareholder return at the respective vesting dates. Assuming the highest multiplier of 2.0, the maximum number of Common Shares issuable pertaining to the outstanding PSUs is 292,886.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual 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.

Internal Control over Financial Reporting

The CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO are required to cause the Company to disclose any change in the Company's internal controls over financial reporting that occurred during the most recent interim period, January 1, 2016 to March 31, 2016, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No changes in 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 while Seven Generations' officers believe that the Company’s controls provide a reasonable level of assurance with regard to their effectiveness, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the control system will prevent all errors or fraud.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of the Company’s significant accounting policies can be found in Notes 3 and 4 to the audited consolidated financial statements for the year ended December 31, 2015. The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The financial and operating results of Seven Generations incorporate certain estimates including:

- estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and costs have not yet been received;
- estimated capital expenditures on projects that are in progress;
- estimated depletion, depreciation and amortization charges that are based on estimates of oil and natural gas reserves, and future costs to develop those reserves, that Seven Generations expects to recover in the future;
- estimated fair values of financial instruments that are subject to fluctuation depending on the underlying commodity prices, foreign exchange rates and interest rates, volatility curves and the risk of non-performance;
- estimated value of asset retirement obligations that are dependent upon estimates of future costs and timing of expenditures;
- estimated future recoverable value of oil and natural gas properties and goodwill and any associated impairment charges or recoveries; and
- estimated compensation expense under Seven Generations’ share-based compensation plans.

Seven Generations employs individuals who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates. For further information on the determination of certain estimates inherent in the consolidated financial statements, refer to Note 5 “Significant Accounting Judgments, Estimates and Assumptions” in the audited consolidated financial statements for the year ended December 31, 2015.

RISK ASSESSMENT

The acquisition, exploration and development of oil and natural gas properties and the production, transportation and marketing of oil and natural gas involves many risks, which may influence the ultimate success of the Company. While the management of Seven Generations realizes these risks cannot be eliminated, they are committed to monitoring and mitigating these risks. These risks include, but are not limited to the following:

- volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto;
- general economic, business and industry conditions;
- variance of the Company’s actual capital costs, operating costs and economic returns from those anticipated;
- the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms;
- risks related to the exploration, development and production of oil and natural gas reserves and resources;
- negative public perception of oil sands development, oil and natural gas development and transportation, hydraulic fracturing and fossil fuels;
- actions by governmental authorities, including changes in government regulation, royalties and taxation;
- the rescission, or amendment to the conditions of, groundwater licenses of the Company;

- management of the Company's growth;
- the ability to successfully identify and make attractive acquisitions, joint ventures or investments, or successfully integrate future acquisitions or businesses;
- the availability, cost or shortage of rigs, equipment, raw materials, supplies or qualified personnel;
- adoption or modification of climate change legislation by governments;
- the absence or loss of key employees;
- uncertainty associated with estimates of oil, NGLs and natural gas reserves and resources and the variance of such estimates from actual future production;
- dependence upon compressors, gathering lines, pipelines and other facilities, certain of which the Company does not control;
- the ability to satisfy obligations under the Company's firm commitment transportation arrangements;
- the uncertainties related to the Company's identified drilling locations;
- the high-risk nature of successfully stimulating well productivity and drilling for and producing oil, NGLs and natural gas;
- operating hazards and uninsured risks;
- the possibility that Company's drilling activities may encounter sour gas;
- execution of the Company's business plan;
- failure to acquire or develop replacement reserves;
- the concentration of the Company's assets in the Kakwa River Project area;
- unforeseen title defects;
- Aboriginal claims;
- failure to accurately estimate abandonment and reclamation costs;
- development and exploratory drilling efforts and well operations may not be profitable or achieve the targeted return;
- horizontal drilling and completion technique risks and failure of drilling results to meet expectations for reserves or production;
- limited intellectual property protection for operating practices and dependence on employees and contractors;
- third-party claims regarding the Company's right to use technology and equipment;
- expiry of certain leases for undeveloped leasehold acreage in the near future;
- failure to realize the anticipated benefits of acquisitions or dispositions;
- failure of properties acquired now or in the future to produce as projected and inability to determine reserve and resource potential, identify liabilities associated with acquired properties or obtain protection from sellers against such liabilities;
- governmental regulations;
- changes in the interpretation and enforcement of applicable laws and regulations;
- environmental, health and safety requirements;
- restrictions on drilling intended to protect certain species of wildlife;
- potential conflicts of interests;
- actual results differing materially from management estimates and assumptions;
- seasonality of the Company's activities and the Canadian oil and gas industry;
- weather related risks, fires and natural disasters;
- alternatives to and changing demand for petroleum products;
- extensive competition in the Company's industry;
- changes in the Company's credit ratings;
- third party credit risk;
- dependence upon a limited number of customers;
- lower oil, NGLs and natural gas prices and higher costs;
- terrorist attacks or armed conflict;
- loss of information and computer systems;
- inability to dispose of non-strategic assets on attractive terms;
- security deposits may be required under provincial liability management programs;
- reassessment by taxing authorities of the Company's prior transactions and filings;
- variations in foreign exchange rates and interest rates;
- third-party credit risk including risk associated with counterparties in risk management activities related to commodity prices and foreign exchange rates;
- sufficiency of insurance policies;
- potential of litigation;
- variation in future calculations of non-IFRS measures;
- sufficiency of internal controls;
- third-party breach of agreements;
- impact of expansion into new activities on risk exposure;
- inability of the Company to respond quickly to competitive pressures;
- risks related to the common shares that are publicly traded and the senior notes and other indebtedness.

For additional information regarding the risks that the Company is exposed to, see the disclosure provided under the heading “Risk Factors” in the AIF, which is available on the SEDAR website at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies

There were no material new or amended accounting standards adopted during the three months ended March 31, 2016.

Future accounting policy changes

In February 2014, the IASB issued IFRS 9 "Financial Instruments", which replaces IAS 39, "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The impact of the standard on the Company’s financial statements is currently being evaluated.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. In July 2015, the IASB issued an amendment to IFRS 15, deferring the effective date by one year. IFRS 15 provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework. The standard is required to be adopted either retrospectively or using a modified transition approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on the condensed consolidated financial statements.

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 "Leases" for annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 "Revenue from Contracts with Customers" is also applied. Under IFRS 16, lessees are required to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The Company is currently evaluating the impact of the standard on the condensed consolidated financial statements.

NON-IFRS FINANCIAL MEASURES

This MD&A includes certain terms or performance measures commonly used in the oil and natural gas industry that are not defined under IFRS, including “funds from operations”, “operating income”, “operating netback”, “available funding” and “net debt”. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS measures should be read in conjunction with the Company’s audited consolidated financial statements and the accompanying notes.

Funds from Operations

“Funds from operations” is a financial measure not presented in accordance with IFRS and is equal to cash provided by operating activities, adjusted for changes in non-cash operating working capital, decommissioning expenditures and liquidity event expense. The Company uses funds from operations as an integral part of its internal reporting to measure its performance and is considered an important indicator of the operational strength of the Company’s business. Funds from operations is a measure of the cash flow generated by the Company’s operating activities and eliminates the effect of changes in non-cash working capital, which is included in cash flow provided by operating activities. Funds from operations is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either net income as an indicator of operating performance or to cash flows from operating activities as a measure of liquidity. In addition, funds from operations is not intended to represent funds available for dividends, reinvestment or other discretionary uses.

The following table reconciles the cash flow from operating activities to funds from operations:

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands)			
Cash provided by operating activities	**144,515**	117,212	23
Decommissioning expenditures	**—**	—	—
Changes in non-cash working capital	**(33,861)**	(30,323)	12
Funds from operations	**110,654**	86,889	27

Operating Income

"Operating income" is a non-IFRS measure which the Company uses as a performance measure to provide comparability of financial performance between periods by excluding non-operating items. Operating income is defined as net income (loss), excluding realized foreign exchange gains and losses, unrealized gains and losses on risk management contracts and the respective income tax impact of these adjustments.

The following table reconciles the net income to operating income:

	Three months ended March 31,		
	2016	2015	**% Change**
($ thousands)			
Net income (loss) for the period	**138,449**	(82,698)	(267)
Unrealized (gain) loss - risk management contracts (1)	**(44,237)**	41,092	(208)
Unrealized foreign exchange (gain) loss (2)	**(96,846)**	75,877	(228)
Deferred tax expense (recovery) relating to these adjustments	**11,944**	(10,273)	(216)
Operating income	**9,310**	23,998	(61)

(1) Unrealized gains and losses on risk management contracts result from the fair market valuation of the hedge contracts as at March 31.
(2) Unrealized foreign exchange gains and losses result from the translation of the US$ denominated senior notes and cash and cash equivalents using period end exchange rates.

Operating Netback

"Operating netback" is calculated on a per boe basis and is determined by deducting royalties, operating and transportation expenses from oil and natural gas revenue and, except where otherwise indicated, after adjusting for realized hedging gains or losses. Operating netback is utilized by the Company and others to better analyze the operating performance of its oil and natural gas assets.

Available Funding

"Available funding" is comprised of adjusted working capital and the undrawn credit facility capacity. Adjusted working capital is comprised of current assets less current liabilities and excludes (current) risk management contracts and deferred credits. The available funding measure allows management and other users to evaluate the Company's short term liquidity. A summary of the reconciliation of available funding is set forth below:

As at	**March 31, 2016**	December 31, 2015
($ thousands)		
Current assets	**772,590**	592,473
Current liabilities	**(211,033)**	(206,203)
Working capital	**561,557**	386,270
Adjusted for:		
Current asset - risk management contracts	**(118,796)**	(98,570)
Current liability - risk management contracts	**4,727**	18,320
Current portion of deferred credits	**123**	123
Adjusted working capital	**447,611**	306,143
Undrawn credit facility capacity	**812,836**	812,000
Available funding	**1,260,447**	1,118,143

Net Debt

"Net debt" is a financial measure not presented in accordance with IFRS and is equal to long-term debt less adjusted working capital surplus (deficit). Long-term debt for the senior notes is calculated as the principal amount outstanding converted to Canadian dollars at the closing exchange rate for the period, and excludes unamortized premiums and debt issue costs. Adjusted working capital surplus (deficit) is calculated as current assets less current liabilities as they appear on the balance sheets, and excludes current unrealized risk management contracts and deferred credits. The Company uses net debt to assess liquidity and general financial strength. Net debt should not be considered an alternative to, or more meaningful than, current assets or current liabilities as determined in accordance with IFRS.

The following table presents a calculation of the non-IFRS financial measure of net debt:

As at	**March 31, 2016**	December 31, 2015
($ thousands)		
Senior notes at amortized cost	**1,451,528**	1,546,761
Unamortized premium and debt issue costs	**9,510**	10,239
Senior notes principal	**1,461,038**	1,557,000
Adjusted for:		
Adjusted working capital	**(447,611)**	(306,143)
Net debt	**1,013,427**	1,250,857

SELECTED QUARTERLY INFORMATION

	Q4 2016	Q3 2016	Q2 2016	**Q1 2016**	**YTD 2016**
FINANCIAL ($ thousands, except per share amounts, production rates and unit prices)					
Liquids and natural gas sales				**187,996**	187,996
Realized hedging gain				**36,250**	36,250
Marketing revenue				**4,175**	4,175
Processing and third party income				**206**	206
Interest and other income				**637**	637
Royalties				**(12,954)**	(12,954)
Operating expenses				**(30,981)**	(30,981)
Transportation expenses				**(39,852)**	(39,852)
General and administrative				**(7,985)**	(7,985)
Interest expense				**(26,922)**	(26,922)
Foreign exchange loss				**200**	200
Other				**(116)**	(116)
Funds from operations [1]				**110,654**	110,654
Per share – diluted				**0.40**	0.40
Operating income [1]				**9,310**	9,310
Per share – diluted				**0.03**	0.03
Net income				**138,449**	138,449
Per share – diluted				**0.50**	0.50
Capital investments:					
Land				**367**	367
Drilling and completions				**152,572**	152,572
Facilities and equipment				**107,601**	107,601
Other				**6,594**	6,594
Total capital investments (before dispositions)				**267,134**	267,134
Total assets				**4,126,215**	4,126,215
Available funding [1]				**1,260,447**	1,260,447
Net debt [1]				**1,013,427**	1,013,427
Debt outstanding				**1,451,528**	1,451,528
OPERATING					
Average daily production					
Oil and condensate (bbls/d)				**28,423**	28,423
NGLs (bbls/d)				**22,611**	22,611
Natural gas (MMcf/d)				**225**	225
Total (boe/d)				**88,525**	88,525
Realized prices					
Oil and condensate ($/bbl)				**39.92**	39.92
NGLs ($/bbl)				**8.96**	8.96
Natural gas ($/Mcf)				**3.24**	3.24
OPERATING NETBACK [1] ($/boe)					
Liquids and natural gas revenues				**$ 23.34**	$ 23.34
Realized hedging gain				**4.50**	4.50
Royalties				**(1.61)**	(1.61)
Operating expenses				**(3.85)**	(3.85)
Transportation expenses				**(4.95)**	(4.95)
Operating netback after hedging				**$ 17.43**	$ 17.43

(1) See “Non-IFRS Financial Measures”.

SELECTED QUARTERLY INFORMATION - continued

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	**YTD 2015**
FINANCIAL ($ thousands, except per share amounts, production rates and unit prices)					
Total revenues	178,478	149,723	155,183	108,540	591,924
Realized hedging gain	22,980	35,262	41,683	50,655	150,580
Marketing revenue	1,300	—	—	—	1,300
Processing and third party income	691	467	294	385	1,837
Interest and other income	879	1,248	1,450	1,300	4,877
Royalties	(12,127)	(17,704)	(12,886)	(15,181)	(57,898)
Operating expenses	(29,378)	(26,819)	(23,537)	(21,454)	(101,188)
Transportation expenses	(23,984)	(13,493)	(9,893)	(12,966)	(60,336)
General and administrative	(7,128)	(5,450)	(5,136)	(6,629)	(24,343)
Interest expense	(29,105)	(28,363)	(24,946)	(17,973)	(100,387)
Foreign exchange loss	3,456	60	4,614	242	8,372
Other	(31)	(31)	(31)	(30)	(123)
Funds from operations [1]	106,031	94,900	126,795	86,889	414,615
Per share – diluted	1.66	0.35	0.47	0.32	2.80
Operating income (loss) [1]	(14,191)	13,813	28,485	23,998	52,105
Per share – diluted	(0.06)	(0.21)	0.11	0.09	(0.07)
Net loss	(28,922)	(53,726)	(21,950)	(82,698)	(187,296)
Per share – diluted Capital investments: Land	(0.11)	(0.21)	(0.09)	(0.34)	(0.75)
Drilling and completions	2,169	1,930	259	780	5,138
Facilities and equipment	181,108	145,626	222,164	264,879	813,777
Other	114,153	134,494	128,588	100,723	477,958
	3,719	3,064	3,299	2,018	12,100
Total capital investments (before dispositions)	301,149	285,114	354,310	368,400	1,308,973
Total assets	3,758,982	3,707,714	3,559,768	3,170,401	3,758,982
Available funding [1]	1,118,143	1,141,232	1,325,954	861,385	1,118,143
Net debt [1]	1,250,857	989,843	710,200	505,234	1,250,857
Debt outstanding	1,546,761	1,491,184	1,395,485	888,356	1,546,761
OPERATING					
Average daily production					
Oil and condensate (bbls/d)	25,572	22,606	20,702	15,810	21,204
NGLs (bbls/d)	19,236	14,094	11,914	12,042	14,341
Natural gas (MMcf/d)	197	143	130	125	149
Total (boe/d)	77,699	60,600	54,219	48,768	60,403
Realized prices					
Oil and condensate ($/bbl)	46.72	49.18	60.29	47.59	50.84
NGLs ($/bbl)	12.35	7.99	9.78	10.41	10.34
Natural gas ($/Mcf)	2.57	2.81	2.63	2.62	2.65
OPERATING NETBACK [1] ($/boe)					
Liquids and natural gas revenues	$ 24.97	$ 26.86	$ 31.45	$ 24.73	$ 26.85
Realized hedging gain	3.21	6.32	8.45	11.54	6.83
Royalties	(1.70)	(3.18)	(2.61)	(3.46)	(2.63)
Operating expenses	(4.11)	(4.81)	(4.77)	(4.89)	(4.59)
Transportation expenses	(3.36)	(2.42)	(2.00)	(2.95)	(2.74)
Operating netback after hedging	$ 19.01	$ 22.77	$ 30.52	$ 24.97	$ 23.72

(1) See “Non-IFRS Financial Measures”.

SELECTED QUARTERLY INFORMATION - continued

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	YE 2014
FINANCIAL ($ thousands, except per share amounts, production rates and unit prices)					
Total revenues	155,383	159,964	120,749	98,737	534,833
Realized hedging gain	22,163	(148)	(6,873)	(5,405)	9,737
Processing and third party income	704	571	243	285	1,803
Interest and other income	1,264	512	782	626	3,184
Royalties	(16,145)	(20,925)	(9,434)	(5,386)	(51,890)
Operating expenses	(18,966)	(14,245)	(9,659)	(11,391)	(54,261)
Transportation expenses	(13,237)	(7,277)	(7,693)	(6,626)	(34,833)
General and administrative	(7,393)	(4,457)	(5,233)	(3,175)	(20,258)
Interest expense	(16,905)	(16,037)	(16,262)	(13,746)	(62,950)
Foreign exchange (gain) loss	(5,334)	8,367	(618)	223	2,638
Other	(31)	(31)	(30)	22	(70)
Funds from operations [1]	101,503	106,294	65,972	54,164	327,933
Per share – diluted	0.41	0.48	0.31	0.25	1.46
Operating income [1]	34,815	41,972	18,253	24,481	119,521
Per share – diluted	0.14	0.19	0.09	0.11	0.53
Net income	68,628	30,482	43,926	1,164	144,200
Per share – diluted	0.28	0.14	0.20	0.01	0.64
Capital investments:					
Land	8,200	1,408	30,057	9,019	48,684
Drilling and completions	227,562	234,879	155,284	124,294	742,019
Facilities and equipment	132,610	90,447	34,172	65,806	323,035
Other	1,948	1,689	1,531	1,430	6,598
Total capital investments (before dispositions)	370,320	328,423	221,044	200,549	1,120,336
Total assets	3,114,797	2,019,134	1,844,172	1,818,627	3,114,797
Available funding [1]	1,133,800	547,700	427,222	574,581	1,133,800
Net debt [1]	158,270	716,300	469,678	349,269	158,270
Debt outstanding	813,880	785,830	748,596	775,809	813,880
OPERATING					
Average daily production					
Oil and condensate (bbls/d)	14,747	12,580	9,264	7,554	11,061
NGLs (bbls/d)	10,783	8,289	4,741	4,054	6,989
Natural gas (MMcf/d)	112	90	60	52	79
Total (boe/d)	44,178	35,820	23,999	20,231	31,136
Realized prices					
Oil and condensate ($/bbl)	69.93	90.41	97.32	92.61	85.34
NGLs ($/bbl)	21.50	25.46	24.15	28.25	24.10
Natural gas ($/Mcf)	3.81	4.35	5.18	5.47	4.50
OPERATING NETBACK [1] ($/boe)					
Liquids and natural gas revenues	38.23	48.54	55.29	54.23	47.06
Realized hedging gain	5.45	(0.04)	(3.15)	(2.97)	0.86
Royalties	(3.97)	(6.35)	(4.32)	(2.96)	(4.57)
Operating expenses	(4.67)	(4.32)	(4.42)	(6.26)	(4.77)
Transportation expenses	(3.26)	(2.21)	(3.52)	(3.64)	(3.06)
Operating netback after hedging	31.78	35.62	39.88	38.40	35.52

(1) See “Non-IFRS Financial Measures”.

Forward-Looking Information Advisory

This document contains certain forward-looking information and statements that involve various risks, uncertainties and other factors. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “should”, “believe”, “plans”, and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this document contains forward-looking information and statements pertaining to the following: the Company’s objectives, strategies and competitive strengths; the ability to generate long-life value from the Kakwa River Project; financial stability; profitable growth and profitability; achievement of positive free cash flow; expected rates of return; ability to apply innovation and technology to remain among North America’s lowest supply cost unconventional gas developers; expected processing and transportation capacity; the Company’s hedging targets; Company’s ability to deliver on its growth objectives and meet the commitments in its marketing and transportation agreements; future wells or future drilling locations; expectations regarding the balancing of debt and equity in the Company’s capital structure; expected capital investment in 2016; the expectation that cash on hand and funds from operations will support the Company’s ongoing capital investment program in 2016; the impact that the Modernized Royalty Framework will have on the Company; and the Company’s estimates of its future obligations under the heading “Contractual Obligations”. In addition, references to reserves are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated.

With respect to forward-looking information contained in this document, assumptions have been made regarding, among other things: future oil, NGLs and natural gas prices, including all adjustments for the quality of the Company’s production at the point of sale; the Company’s ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts its business and any other jurisdictions in which the Company may conduct its business in the future; the Company’s ability to market production of oil, NGLs and natural gas successfully to customers; the Company’s future production levels; the applicability of technologies for recovery and production of the Company’s reserves and resources; the recoverability of the Company’s reserves and resources; future capital investments to be made by the Company; future cash flows from production; future sources of funding for the Company’s capital program; the Company’s future debt levels; geological and engineering estimates in respect of the Company’s reserves and resources; the geography of the areas in which the Company is conducting exploration and development activities, and the access, economic, regulatory and physical limitations to which the Company may be subject from time to time; the impact of competition on the Company; and the Company’s ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in this forward-looking information as a result of the risks and risk factors that are set forth in the AIF, which is available on SEDAR at www.sedar.com, including, but not limited to: volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; general economic, business and industry conditions; variance of the Company’s actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; risks related to the exploration, development and production of oil and natural gas reserves and resources; negative public perception of oil sands development, oil and natural gas development and transportation, hydraulic fracturing and fossil fuels; actions by governmental authorities, including changes in government regulation, royalties and taxation; the rescission, or amendment to the conditions of, groundwater licenses of the Company; management of the Company’s growth; the ability to successfully identify and make attractive acquisitions, joint ventures or investments, or successfully integrate future acquisitions or businesses; the availability, cost or shortage of rigs, equipment, raw materials, supplies or qualified personnel; adoption or modification of climate change legislation by governments; the absence or loss of key employees; uncertainty associated with estimates of oil, NGLs and natural gas reserves and resources and the variance of such estimates from actual future production; dependence upon compressors, gathering lines, pipelines and other facilities, certain of which the Company does not control; the ability to satisfy obligations under the Company’s firm commitment transportation arrangements; the uncertainties related to the Company’s identified drilling locations; the high-risk nature of successfully stimulating well productivity and drilling for and producing oil, NGLs and natural gas; operating hazards and uninsured risks; the possibility that Company’s drilling activities may encounter sour gas; execution of the Company’s business plan; failure to acquire or develop replacement reserves; the concentration of the Company’s assets in the Kakwa River Project area; unforeseen title defects; Aboriginal claims; failure to accurately estimate abandonment and reclamation costs; development and exploratory drilling efforts and well operations may not be profitable or achieve the targeted return; horizontal drilling and completion technique risks and failure of drilling results to meet expectations for reserves or production; limited intellectual property protection for operating practices and dependence on employees and contractors; third-party claims regarding the Company’s right to use technology and equipment; expiry of certain leases for undeveloped leasehold acreage in the near future; failure to realize the anticipated benefits of acquisitions or dispositions; failure of properties acquired now or in the future to produce as projected and inability to determine reserve and resource potential, identify liabilities associated with acquired properties or obtain protection from sellers against such liabilities; governmental regulations; changes in the interpretation and enforcement of applicable laws and regulations; environmental, health and safety requirements; restrictions on drilling intended to protect certain species of wildlife; potential conflicts of interests; actual results differing materially from management estimates and assumptions;

seasonality of the Company's activities and the Canadian oil and gas industry; weather related risks, fires and natural disasters; alternatives to and changing demand for petroleum products; extensive competition in the Company's industry; changes in the Company's credit ratings; third party credit risk; dependence upon a limited number of customers; lower oil, NGLs and natural gas prices and higher costs; terrorist attacks or armed conflict; loss of information and computer systems; inability to dispose of non-strategic assets on attractive terms; security deposits may be required under provincial liability management programs; reassessment by taxing authorities of the Company's prior transactions and filings; variations in foreign exchange rates and interest rates; third-party credit risk including risk associated with counterparties in risk management activities related to commodity prices and foreign exchange rates; sufficiency of insurance policies; litigation; variation in future calculations of non-IFRS measures; sufficiency of internal controls; third-party breach of agreements; impact of expansion into new activities on risk exposure; inability of the Company to respond quickly to competitive pressures; risks related to the senior unsecured notes and other indebtedness, including potential inability to comply with the covenants in the credit agreement related to the Company's credit facilities and/or the covenants in the indentures in respect of the senior secured notes.

Any financial outlook and future-oriented financial information contained in this document regarding prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections, and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The forward-looking information and statements contained in this document speak only as of the date hereof, and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Independent Reserves Evaluation

Estimates of the Company's reserves attributable to the Company's reserves as at December 31, 2015, are based upon the report that was prepared by McDaniel, evaluating the Company's tight oil, NGL, conventional natural gas and shale gas reserves, dated March 7, 2016. The estimates of reserves provided in this document are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided in this in this document, and the difference may be material. There is no assurance that the forecast price and cost assumptions applied by McDaniel in evaluating Seven Generations' reserves will be attained and variances could be material. For important additional information regarding the independent reserves evaluation that was conducted by McDaniel, please refer to the AIF, which is available on the SEDAR website at www.sedar.com.

Oil and Gas Definitions

Terms that are used in this MD&A that are not otherwise defined herein are provided below:

gross means:

- in relation to the Company's interest in production or reserves, its "company gross reserves", which are the Company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Company;
- in relation to wells, the total number of wells in which the Company has an interest; and
- in relation to properties, the total area of properties in which the Company has an interest.

net means:

- in relation to the Company's interest in production or reserves, the Company's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Company's royalty interest in production or reserves;
- in relation to the Company's interest in wells, the number of wells obtained by aggregating the Company's working interest in each of its gross wells; and
- in relation to the Company's interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.

probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.

Abbreviations

AECO	physical storage and trading hub for natural gas on the TransCanada Alberta transmission system which is the delivery point for various benchmark Alberta index prices
bbl	barrel
bbls	barrels
boe[(1)]	barrels of oil equivalent
C$	Canadian dollars
d	day
km	kilometres
m	metres
Mcf	thousand cubic feet
MMboe	millions of barrels of oil equivalent
MMBtu	million British thermal units
MMcf	million cubic feet
Nest	means the primary development block of the Kakwa River Project.
NGLs	natural gas liquids
NGX	Natural Gas Exchange Inc.
NYMEX	New York Mercantile Exchange
Super Pads	the Company's decentralized processing plants that separate field condensate and natural gas
TSX	Toronto Stock Exchange
US$	United States dollars
WTI	West Texas Intermediate
2P	proved plus probable

(1) Seven Generations has adopted the standard of 6 Mcf:1 bbl when converting natural gas to boes. Condensate and other NGLs are converted to boes at a ratio of 1 bbl:1 bbl. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based roughly on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the Company’s sales point. Given the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1 bbl, utilizing a conversion ratio at 6 Mcf: 1 bbl may be misleading as an indication of value.