SEVEN GENERATIONS

ENERGY

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2017 and 2016

SEVEN GENERATIONS ENERGY LTD.

Condensed Interim Consolidated Balance Sheets (unaudited)

(millions of Canadian dollars)

As at	Notes	September 30, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	3	$ **218.7**	$ 630.8
Accounts receivable		**283.0**	181.9
Risk management contracts	16	**82.0**	—
Deposits and prepaid expenses		**25.0**	17.7
		608.7	830.4
Risk management contracts	16	**40.7**	—
Oil and natural gas assets	4	**6,603.0**	5,750.1
Investment in associate	5	**5.0**	21.9
		7,257.4	6,602.4
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**449.0**	244.5
Risk management contracts	16	**18.7**	71.7
Current portion of senior notes	7,19	**910.7**	—
		1,378.4	316.2
Risk management contracts	16	**10.0**	77.7
Senior notes	7	**1,088.1**	2,111.9
Other long-term liabilities	8	**183.6**	165.0
Deferred income taxes		**240.7**	108.8
		2,900.8	2,779.6
Equity			
Share capital	9	**3,861.4**	3,830.5
Contributed surplus		**93.3**	69.4
Retained earnings (Deficit)		**401.9**	(77.1)
		4,356.6	3,822.8
		$ **7,257.4**	$ 6,602.4

Commitments and contingencies (Note 17)

Subsequent Event (Note 19)

See accompanying notes to the condensed interim consolidated financial statements.

SEVEN GENERATIONS ENERGY LTD.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (unaudited)

(millions of Canadian dollars, except per share amounts)

	Notes	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenues					
Liquids and natural gas sales	12	**$ 529.5**	$ 361.7	**$ 1,524.0**	$ 837.1
Royalties recovery (expense)		**(14.5)**	(0.4)	**(40.7)**	5.2
		515.0	361.3	**1,483.3**	842.3
Risk management contracts					
Realized gain	16	**14.2**	19.2	**8.8**	85.0
Unrealized gain (loss)	16	**(13.5)**	(8.7)	**242.3**	(128.8)
Other income		**1.5**	1.4	**4.1**	3.4
		517.2	373.2	**1,738.5**	801.9
Expenses					
Operating expenses	13	**91.8**	47.0	**254.5**	122.8
Transportation, processing and other	14	**102.7**	74.7	**257.0**	166.6
General and administrative		**11.0**	14.7	**34.2**	32.7
Depletion and depreciation	4	**192.7**	138.7	**521.2**	344.5
Stock-based compensation		**8.1**	3.6	**22.3**	12.2
Finance expense	15	**73.2**	38.7	**156.6**	95.8
Foreign exchange (gain) loss		**(70.6)**	38.1	**(138.8)**	(67.2)
Loss on associate	5	**16.6**	4.7	**18.4**	4.7
		425.5	360.2	**1,125.4**	712.1
Income before taxes		**91.7**	13.0	**613.1**	89.8
Income Taxes					
Current income tax expense		**0.5**	0.4	**2.2**	1.1
Deferred income tax expense		**5.5**	14.8	**131.9**	9.9
		6.0	15.2	**134.1**	11.0
Net income (loss) and comprehensive income (loss)		**$ 85.7**	$ (2.2)	**$ 479.0**	$ 78.8
Net income (loss) per share					
Basic	11	**$ 0.24**	$ (0.01)	**$ 1.36**	$ 0.28
Diluted	11	**$ 0.24**	$ (0.01)	**$ 1.31**	$ 0.26

See accompanying notes to the condensed interim consolidated financial statements.

SEVEN GENERATIONS ENERGY LTD.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(millions of Canadian dollars)

	Notes	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Operating activities					
Net income (loss) for the period		**85.7**	(2.2)	**479.0**	78.8
Items not affecting cash:					
Deferred income tax expense		**5.5**	14.8	**131.9**	9.9
Depletion and depreciation	4	**192.7**	138.7	**521.2**	344.5
Unrealized loss (gain) on risk management contracts	16	**13.5**	8.7	**(242.3)**	128.8
Stock-based compensation	10	**8.1**	3.6	**22.3**	12.2
Non-cash finance expenses and other	15,19	**36.0**	0.9	**38.4**	1.8
Loss on associate	5	**16.4**	1.7	**16.9**	1.7
Unrealized foreign exchange (gain) loss		**(73.6)**	38.5	**(142.9)**	(64.8)
Prepaid processing fees on third-party facilities	4	**4.0**	—	**(19.5)**	—
Changes in non-cash working capital	18	**25.8**	(35.5)	**39.2**	(47.0)
Cash provided by operating activities		**314.1**	169.2	**844.2**	465.9
Financing activities					
Issuance of common shares for cash	9	**—**	747.6	**—**	1,047.7
Share issuance costs	9	**—**	(30.3)	**—**	(43.6)
Exercise of equity compensation units	9	**1.5**	16.2	**22.9**	34.4
Changes in non-cash working capital	18	**(0.1)**	—	**(0.1)**	—
Cash provided by financing activities		**1.4**	733.5	**22.8**	1,038.5
Investing activities					
Investments in oil and natural gas assets	4	**(454.3)**	(207.8)	**(1,329.1)**	(694.2)
Acquisitions		**—**	(503.1)	**—**	(503.1)
Investments in associates	5	**—**	(25.8)	**—**	(25.8)
Changes in non-cash working capital	18	**(53.7)**	42.2	**54.3**	(40.6)
Cash used in investing activities		**(508.0)**	(694.5)	**(1,274.8)**	(1,263.7)
Foreign exchange loss on cash in foreign currencies		**(2.0)**	—	**(4.3)**	—
Increase (decrease) in cash and cash equivalents		**(194.5)**	208.2	**(412.1)**	240.7
Cash and cash equivalents, beginning of period		**413.2**	437.5	**630.8**	405.0
Cash and cash equivalents, end of period		**218.7**	645.7	**218.7**	645.7

Supplementary disclosure of cash flow information (Note 18)

See accompanying notes to the condensed interim consolidated financial statements.

SEVEN GENERATIONS ENERGY LTD.

Condensed Interim Consolidated Statements of Changes in Equity (unaudited)

(millions of Canadian dollars)

Nine months ended September 30,	Notes	2017	2016
Share capital			
Balance, beginning of period		**$ 3,830.5**	$ 1,775.7
Issuance of common shares	9	**—**	1,047.7
Issuance of common shares for Acquisition	4	**—**	965.1
Share issuance costs, net of deferred tax	9	**—**	(31.9)
Exercise of equity compensation units	9	**30.9**	46.2
Balance, end of period		**3,861.4**	3,802.8
Contributed surplus			
Balance, beginning of period		**69.4**	61.8
Stock-based compensation	10	**31.9**	17.4
Exercise of equity compensation units	10	**(8.0)**	(11.8)
Balance, end of period		**93.3**	67.4
Retained earnings (deficit)			
Balance, beginning of period		**(77.1)**	(50.8)
Net income for the period		**479.0**	78.8
Balance, end of period		**401.9**	28.0
Total shareholders equity, beginning of period		**$ 3,822.8**	**$ 1,786.7**
Total shareholders equity, end of period		**$ 4,356.6**	**$ 3,898.2**

See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE OF BUSINESS

Seven Generations Energy Ltd. ("Seven Generations" or the "Company") is incorporated under the *Canada Business Corporations Act* and commenced operations in 2008. Seven Generations is a Canadian company focused on the exploration, development and production of condensate and natural gas properties in Western Canada. Seven Generations' principal place of business is located at 4400, 525 – 8 Avenue SW Calgary, AB T2P 1G1. The Company's Class A Voting common shares ("Common Shares") are publicly traded on the Toronto Stock Exchange under the symbol "VII".

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements (the "consolidated financial statements") have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These consolidated financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with Seven Generations' audited consolidated financial statements for the year ended December 31, 2016. All financial information is reported in millions of Canadian dollars, unless otherwise noted. References to "US$" are to United States dollars. These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies included in Note 3 of Seven Generations' audited consolidated financial statements for the year ended December 31, 2016. All accounting policies and methods of computation followed in the preparation of these consolidated financial statements are consistent with those of the previous financial year.

These consolidated financial statements include the accounts of Seven Generations and its wholly owned subsidiary, Seven Generations Energy (US) Corp. All inter-entity transactions have been eliminated.
Seven Generations classifies the fair value of financial 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.
- Level 2 - Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed in the marketplace but are not readily observable in an actively traded market as of the reporting date.
- Level 3 - Valuation inputs that are not based on observable market data.

These condensed interim consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on November 1, 2017.

3. CASH AND CASH EQUIVALENTS

		September 30, 2017		December 31, 2016
Cash	**$**	**160.0**	$	325.5
GIC Collateral accounts[1]		**58.7**		59.2
Short term investments[2]		**—**		246.1
Cash and cash equivalents	**$**	**218.7**	$	630.8

(1) As at September 30, 2017, the GIC collateral accounts included $36.1 million as Canadian dollar GIC collateral and US$18.1 million ($22.6 million) as US dollar GIC collateral. The bearing interest is at a weighted average rate of 1.2% (December 31, 2016 - 0.9%).

(2) As at December 31, 2016, the short term investments bore interest at a weighted average rate of 0.8%.

4. OIL AND NATURAL GAS ASSETS

		Exploration and evaluation		Developed and producing		Other		Total
Cost								
Balance at December 31, 2015	$	222.6	$	3,423.0	$	12.2	**$**	**3,657.8**
Acquisition		300.0		1,772.3		—		**2,072.3**
Additions		—		976.1		1.9		**978.0**
Dispositions		—		(6.0)		—		**(6.0)**
Transfers		(11.0)		11.0		—		**—**
Non-cash capitalized costs[1]		—		75.9		—		**75.9**
Balance at December 31, 2016		511.6		6,252.3		14.1		**6,778.0**
Additions		36.8		1,289.5		2.8		**1,329.1**
Prepaid processing fees on third-party facilities		—		—		19.5		**19.5**
Non-cash capitalized costs[1]		—		25.5		—		**25.5**
Balance at September 30, 2017		548.4		7,567.3		36.4		**8,152.1**
Accumulated depletion and depreciation								
Balance at December 31, 2015		—		541.0		3.3		**544.3**
Depletion and depreciation		—		481.5		2.1		**483.6**
Balance at December 31, 2016		—		1,022.5		5.4		**1,027.9**
Depletion and depreciation		—		519.8		1.4		**521.2**
Balance at September 30, 2017	$	—	$	1,542.3	$	6.8	**$**	**1,549.1**
Net book value								
Balance at December 31, 2016	$	511.6	$	5,229.8	$	8.7	**$**	**5,750.1**
Balance at September 30, 2017	$	548.4	$	6,025.0	$	29.6	**$**	**6,603.0**

(1) For the nine months ended September 30, 2017, non-cash capitalized costs consisted of $15.9 million of decommissioning obligation assets and $9.6 million of stock-based compensation (year ended December 31, 2016 - $68.0 million and $7.7 million, respectively).

On August 18, 2016, the Company acquired assets for consideration valued at $1.9 billion at the time of announcement (the "Acquisition"). In connection with the Acquisition, the Company acquired $2.1 billion of oil and natural gas assets, assumed US $450.0 million of senior unsecured notes (Note 7) and assumed $10.7 million of decommissioning liabilities (Note 8). Consideration for the net assets acquired included the issuance of 33.5 million common shares (Note 9), $505.1 million of cash and $6.0 million of undeveloped acreage. The Acquisition also included approximately $2.4 billion of take or pay commitments assumed by Seven Generations.

As at September 30, 2017, $654.3 million in oil and natural gas assets were not subject to depletion and depreciation as they were not ready for use in the manner intended by management (December 31, 2016 - $503.7 million).

During the nine months ended September 30, 2017, the Company invested $19.5 million to upgrade a third-party processing facility under the terms of a long-term processing agreement assumed by Seven Generations as part the Acquisition. The prepaid expenditures were capitalized and will be amortized to processing expenses over the 20 year term of the agreement.

At the end of each reporting period, the Company reviews for indicators of impairment to ensure that the carrying value of its oil and natural gas properties are recoverable. As at September 30, 2017, there were no indicators of impairment.

5. INVESTMENT IN ASSOCIATE

In the third quarter of 2016, the Company invested $25.8 million in Steelhead LNG Limited Partnership ("Steelhead LNG") for a 34.0% equity interest. Steelhead LNG is a Vancouver-based energy company focused on the development of LNG projects in British Columbia. Concurrent with the investment in Steelhead LNG, the Company also entered into a development arrangement with the limited partnership, whereby the Company agreed to contribute $3.0 million in cash upfront and committed to invest up to an additional $9.0 million to participate in the pre-development of transportation alternatives to the west coast of British Columbia. Steelhead LNG is currently seeking additional investors to fund project advancement.

Due to common directorships and certain significant shareholders, the Steelhead LNG investment is considered a related party. Azimuth Capital Management ("Azimuth") has a majority ownership in Steelhead LNG and three of Seven Generations' directors have professional ties to Azimuth. All transactions have been measured at the exchange value.

During the nine months ended September 30, 2017, the Company's share of Steelhead LNG's net loss was $6.8 million. During 2017, Steelhead LNG issued 4.2 million equity units to Seven Generations in exchange for pre-development investments funded by Seven Generations and the Company recognized a $4.2 million recovery. As at September 30, 2017, Seven Generations' equity interest in Steelhead LNG was 37.5%.

In 2017, Seven Generations agreed to provide a guarantee for 36.5% of Steelhead LNG's $14.9 million credit facility which is currently being used to fund its operations (Seven Generation's portion of the total guarantee is $5.4 million).

During the third quarter of 2017, Seven Generations identified indicators of impairment for its investment in Steelhead LNG primarily due to the value of consideration received by Steelhead LNG in exchange for equity units that were issued by the entity early in the fourth quarter of 2017. The Company tested the asset for impairment and determined that its Steelhead LNG investment was not fully recoverable. The Company recognized an impairment loss of $14.4 million. The recoverable value of the investment was primarily based on the price of the equity units issued. Following these equity unit issuances, the Company's interest in Steelhead LNG was reduced to 26.3% as at November 1, 2017.

For the nine months ended September 30, 2017, the Company’s loss on associate expense consisted of $14.4 million of impairment expense, $6.8 million of the Company’s share of Steelhead LNG’s net losses, and $1.4 million in midstream expenses, partially offset by a $4.2 million recovery from Steelhead LNG equity units issued.

6. BANK DEBT

During the second quarter of 2017, Seven Generations expanded its existing undrawn senior secured credit facility from $1.1 billion to $1.4 billion (the "Credit Facility"). As part of the amendments, the Credit Facility was transitioned from a reserve-based structure to a covenant-based structure that matures on June 9, 2021.

The Credit Facility is secured by a floating charge over the Company’s assets and contains certain covenants that limit the Company’s ability to, among other things: incur additional indebtedness; create or permit liens to exist; and make certain dispositions and transfers of assets. The following two financial covenants are associated with the Credit Facility:

- Senior Secured Net Debt to Adjusted EBITDA Ratio - cannot exceed 2.50:1
- Adjusted EBITDA to Interest Expense Ratio - cannot be less than 2.50:1

For the purposes of the covenant calculation, Adjusted EBITDA is calculated as net income (loss) before interest, income taxes, depletion, depreciation and amortization, adjusted for certain non-cash, extraordinary and non-recurring items. Senior Secured Net Debt consists of amounts drawn under the Credit Facility (excluding the balance of the unsecured senior notes), less cash and cash equivalents.

As at September 30, 2017, the Company was in compliance with the covenants under the Credit Facility. The Senior Secured Net Debt to Adjusted EBITDA Ratio and Adjusted EBITDA to Interest Expense Ratio were (0.13):1 and 6.21:1, respectively.

At September 30, 2017, no amounts were drawn under the Credit Facility (December 31, 2016 – nil).

The Company incurred Credit Facility amendment fees of $2.4 million which were capitalized to prepaid expenses and are being amortized to net income over the term of the Credit Facility.

7. SENIOR NOTES

		September 30, 2017		December 31, 2016
US$700 million 8.25% senior notes, due May 15, 2020 (Note 19)	$	**873.6**	$	939.9
US$425 million 6.75% senior notes, due May 1, 2023		**530.4**		570.6
US$450 million 6.875% senior notes, due June 30, 2023		**561.6**		604.2
		1,965.6		2,114.7
Less unamortized debt issue costs		**(8.7)**		(25.5)
Plus unamortized premium		**4.8**		22.7
Premium on redemption of US$700 million 8.25% senior notes (Note 19)		**37.1**		—
Balance, end of period	$	**1,998.8**	$	2,111.9
Presented as				
Current portion of senior notes (Note 19)	$	**910.7**	$	—
Senior notes	$	**1,088.1**	$	2,111.9

The senior notes are carried at amortized cost, net of premiums and transaction costs, and are accreted to their principal balance at maturity using the effective interest rate method. As at September 30, 2017, the fair value of senior notes was $2,068.7 million (December 31, 2016 - $2,254.0 million).

The US dollar denominated senior notes were translated into Canadian dollars at the period end exchange rate of US$1=C$1.25 (December 31, 2016 – US$1=C$1.34).

The Company is exposed to foreign exchange rate fluctuations on the principal and interest related to senior notes. As at September 30, 2017, a 10% increase to the value of the Canadian dollar relative to the US dollar would result in a gain of approximately $200.0 million (10% decline - loss of $200.0 million) to the amortized cost of the notes.

The senior notes have certain prepayment options which grant the Company the option to redeem, in whole or in part, the senior notes at specified redemption prices over the remaining term of the notes. On September 25, 2017, Seven Generations commenced a cash tender offer to purchase any and all of its 8.25% senior unsecured notes. The 8.25% notes were repaid in October 2017. Refer to Note 19 for further details.

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 certain 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.

8. OTHER LONG-TERM LIABILITIES

		September 30, 2017		December 31, 2016
Decommissioning liabilities	$	**179.6**	$	160.7
Onerous lease		**3.2**		3.6
Deferred credits		**0.8**		0.7
Total other long-term liabilities	$	**183.6**	$	165.0

Decommissioning liabilities

		Nine months ended September 30, 2017		Year ended December 31, 2016
Balance, beginning of period	$	**160.7**	$	79.1
Liabilities incurred		**21.4**		21.3
Liabilities acquired (Note 4)		**—**		10.7
Change in estimates		**7.2**		27.9
Changes in discount rates		**(12.7)**		18.9
Accretion (Note 15)		**3.0**		2.8
Balance, end of period	$	**179.6**	$	160.7

The total future decommissioning liability was estimated based on the Company's net ownership interest in all wells, infrastructure, and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods.

As at September 30, 2017, the total undiscounted, uninflated amount of the estimated cash flows required to settle the decommissioning liabilities was approximately $206.3 million (December 31, 2016 – $164.8 million) anticipated to be incurred over the next 35 years with the majority of costs incurred between 2041 and 2052. As at September 30, 2017, the Company utilized a risk free rate of 2.5% (December 31, 2016 – 2.3%) and an inflation rate of 2.0% (December 31, 2016 – 2.0%).

9. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares, Class B common non-voting shares, preferred A, B, C and D shares and special voting shares. There are no Class B common non-voting shares, preferred shares or special voting shares issued and outstanding.

The following tables summarize changes to the Company's common share capital:

	Nine months ended September 30, 2017		Year ended December 31, 2016	
	Number (millions)	Amount ($)	Number (millions)	Amount ($)
Balance, beginning of period	**350.3**	**$ 3,830.5**	254.4	$ 1,775.7
Issued for cash	**—**	**—**	52.1	1,047.7
Issued for Acquisition (Note 4)	**—**	**—**	33.5	965.1
Share issue costs, net of deferred income taxes	**—**	**—**	—	(31.8)
Exercise of stock options and performance warrants	**4.2**	**22.9**	10.3	55.7
Transfer from contributed surplus on exercise of equity compensation	**—**	**8.0**	—	18.1
Balance, end of period	**354.5**	**$ 3,861.4**	350.3	$ 3,830.5

10. STOCK-BASED COMPENSATION

The Company's stock option plan allows for the granting of options to directors, officers, employees and service providers of the Company. Options granted are generally fully exercisable for common shares after three years and expire ten years after the grant date. The Company's current stock-based compensation plans consist of stock options, performance warrants, performance share units ("PSUs") and restricted share units ("RSUs"), and deferred share units ("DSUs").

The following table summarizes the Company's outstanding equity compensation units:

	September 30, 2017			December 31, 2016		
	Units (millions)	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (years)	Units (millions)	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (years)
Stock options	**12.5**	**$ 16.63**	**5.7**	11.2	$ 13.95	5.4
Performance warrants	**8.4**	**6.91**	**1.6**	11.4	6.62	1.9
PSUs and RSUs	**1.1**	**—**	**—**	0.8	—	—
DSUs	**0.2**	**—**	**—**	0.1	—	—
Units outstanding	**22.2**	**$ 12.05**	**4.1**	23.5	$ 9.86	3.5

During the nine months ended September 30, 2017, total outstanding equity compensation units decreased by 1.3 million units primarily due to the exercise of 1.1 million stock options and 3.0 million performance warrants, partially offset by the issuance of 2.8 million new equity unit grants.

The Company estimates the fair value of stock options granted using the Black-Scholes pricing model. During the nine months ended September 30, 2017, the weighted-average fair value of stock options, PSUs and RSUs combined, and DSUs granted was $7.37, $24.56, and $21.82, respectively (nine months ended September 30, 2016 - $12.96, $30.32, and $26.25).

The following table summarizes the Company's exercisable equity compensation units:

	September 30, 2017			December 31, 2016		
	Units (millions)	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (years)	Units (millions)	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (years)
Stock options	**7.5**	**$ 11.43**	**3.6**	6.4	$ 7.57	3.1
Performance warrants	**7.5**	**6.36**	**1.4**	9.6	5.99	1.5
PSUs and RSUs	**0.3**	**—**	**—**	0.6	—	—
DSUs	**0.2**	**—**	**—**	0.1	—	—
Units exercisable	**15.5**	**$ 8.61**	**2.4**	16.7	$ 6.34	2.1

For additional information about the Company's stock-based compensation plans, refer to the December 31, 2016 audited consolidated financial statements and the Company's Information Circular and Proxy Statement dated March 7, 2017 which are available on the SEDAR website at www.sedar.com.

11. PER SHARE AMOUNTS

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2017	2016	2017	2016
Weighted average number of common shares - basic	**354.4**	309.8	**352.8**	283.9
Dilutive effect of outstanding equity compensation units	**9.6**	20.0	**11.8**	19.2
Weighted average number of common shares - diluted	**364.0**	329.8	**364.6**	303.1

12. LIQUIDS AND NATURAL GAS SALES

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2017	2016	2017	2016
Condensate	**$ 291.3**	$ 213.4	**$ 850.0**	$ 500.4
Natural gas liquids	**94.1**	35.0	**226.6**	87.8
Natural gas	**144.1**	113.3	**447.4**	248.9
Liquids and natural gas sales	**$ 529.5**	$ 361.7	**$ 1,524.0**	$ 837.1

13. OPERATING EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Trucking and disposal	**$ 38.3**	$ 18.6	**$ 113.0**	$ 46.3
Equipment rental and maintenance	**26.2**	13.2	**70.9**	33.1
Chemicals and fuel	**10.2**	6.1	**28.7**	18.7
Staff and contractor costs	**9.8**	6.8	**27.4**	16.1
Other	**7.3**	2.3	**14.5**	8.6
Operating expenses	**$ 91.8**	$ 47.0	**$ 254.5**	$ 122.8

14. TRANSPORTATION, PROCESSING AND OTHER EXPENSES

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Pipeline tariffs	**$ 80.7**	$ 45.6	**$ 178.7**	$ 114.3
Processing	**18.6**	10.1	**55.3**	10.2
Trucking and other	**10.1**	22.2	**37.9**	50.8
Marketing gains	**(6.7)**	(3.2)	**(14.9)**	(8.7)
Transportation, processing and other	**$ 102.7**	$ 74.7	**$ 257.0**	$ 166.6

15. FINANCE EXPENSE

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Interest on senior notes	**$ 36.8**	$ 35.0	**$ 114.8**	$ 91.8
Premium on redemption of senior notes (Note 19)	**37.1**	—	**37.1**	—
Revolving credit facility fees and other	**1.4**	2.7	**4.1**	5.6
Amortization of premiums and debt issuance costs	**(2.0)**	0.5	**(1.3)**	0.8
Accretion (Note 8)	**1.0**	0.5	**3.0**	1.3
Total finance costs	**74.3**	38.7	**157.7**	99.5
Capitalized borrowing costs	**(1.1)**	—	**(1.1)**	(3.7)
Finance expense	**$ 73.2**	$ 38.7	**$ 156.6**	$ 95.8

16. RISK MANAGEMENT CONTRACTS

The Company had the following risk management contracts in place at September 30, 2017:

	Crude Oil				Natural Gas				Foreign Exchange	
	WTI Collars		WTI 3 Way Collars		Chicago Citygate Swaps		AECO 7A Collars		CAD/USD Swaps	
Period	bbl/d	C$/bbl	bbl/d	C$/bbl	MMbtu/d	US$/MMbtu	GJ/d	C$/GJ	USD $MM	US$/C$
2017 remainder	15,000	$63.94 - $77.39	9,000	$41.11/$56.67/$76.83	220,000	$2.96	60,000	$2.50 - $3.03	59.9	1.3085
2018	15,250	$61.69 - $78.23	12,000	$40.83/$56.25/$75.54	185,000	$2.89	50,000	$2.50 - $2.99	195.3	1.3165
2019	12,000	$59.38 - $77.81	7,500	$41.00/$56.33/$75.92	100,000	$2.88	50,000	$2.50 - $2.99	105.0	1.2992
2020	3,000	$57.50 - $73.33	1,500	$40.00/$55.00/$70.98	12,500	$2.77	—	—	12.6	1.3039

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

	September 30, 2017	December 31, 2016
Natural gas	**$ 28.7**	$ (70.0)
Oil	**42.9**	(71.0)
Foreign exchange swap	**22.4**	(8.4)
Net position asset (liability)	**$ 94.0**	$ (149.4)

17. COMMITMENTS AND CONTINGENCIES

The following table lists the Company's estimated material contractual commitments at September 30, 2017:

	2017	2018	2019	2020	2021	Thereafter	Total
Senior notes(1) (Note 19)	$ 910.7	$ —	$ —	$ —	$ —	$ 1,092.0	**$ 2,002.7**
Interest on senior notes	36.6	146.5	146.5	101.4	74.4	105.6	**611.0**
Firm transportation and processing agreements	105.4	440.3	459.6	497.9	524.5	3,055.6	**5,083.3**
Office leases	1.0	4.3	3.6	3.5	3.5	6.7	**22.6**
Estimated contractual obligations	$1,053.7	$ 591.1	$ 609.7	$ 602.8	$ 602.4	$ 4,259.9	**$7,719.6**

(1) Balance represents the US$1.575 billion principal plus the accrued premium on redemption of the US$700 million 8.25% senior notes converted to Canadian dollars at the closing exchange rate of US$1=C$1.25 at the period end.

The Company is involved in legal claims arising in the normal course of business. The final outcome of such claims cannot be predicted with certainty and management believes that it has appropriately assessed any impact to the consolidated financial statements.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Accounts receivable	**$ (37.9)**	$ (17.1)	**$ (101.1)**	$ (48.5)
Deposits and prepaid expenses	**(2.6)**	(2.7)	**(7.3)**	(7.4)
Accounts payable and accrued liabilities	**15.0**	26.5	**204.5**	(31.7)
	(25.5)	6.7	**96.1**	(87.6)
Realized foreign exchange on non-cash working capital	**(2.5)**	—	**(2.7)**	—
	(28.0)	6.7	**93.4**	(87.6)
Relating to:				
Operating activities	**$ 25.8**	$ (35.5)	**$ 39.2**	$ (47.0)
Financing activities	**$ (0.1)**	$ —	**$ (0.1)**	$ —
Investing activities	**$ (53.7)**	$ 42.2	**$ 54.3**	$ (40.6)

19. SUBSEQUENT EVENT

Subsequent to the third quarter of 2017, Seven Generations closed a refinancing transaction which replaced the Company's US $700 million 8.25% senior unsecured notes due in 2020 (the "8.25% Notes") with a new debt offering of US$700 million 5.375% senior unsecured notes due in 2025 (the "5.375% Notes"). The refinancing transaction extends the Company's debt maturities and reduces the Company's effective interest rate on all of its senior unsecured notes to approximately 6.2%.

On September 25, 2017, Seven Generations commenced a cash tender offer to purchase the 8.25% Notes at a tender premium of 104.50%, of which, US$224.3 million in 8.25% Notes were tendered by holders. On October 2, 2017, the Company completed the issuance of the 5.375% Notes, which were offered on a private placement basis to eligible purchasers. Seven Generations used the net proceeds of the offering, together with its cash balances, to repurchase and redeem the 8.25% Notes and to pay fees and expenses associated with the tender offer and redemption. Seven Generations redeemed the remaining US$475.7 million in 8.25% Notes at the applicable call premium of 104.13% on October 25, 2017. The Company recognized financing expenses of C$37.1 million in respect of the tender and call premiums on the 8.25% Notes.

At any time prior to September 30, 2020, Seven Generations has the option to redeem the 5.375% Notes at the make-whole redemption price set forth in the 5.375% Notes indenture. On or after September 30, 2020, Seven Generations may redeem the 5.375% Notes at the following specified redemption prices:

- September 30, 2020 - 104.031% of principal
- September 30, 2021 - 102.688% of principal
- September 30, 2022 - 101.344% of principal
- September 30, 2023 and thereafter - 100% of principal

The 5.375% Notes have a term of eight years maturing on September 30, 2025. Interest is payable semi-annually on September 30 and March 31 of each year. Subject to certain exceptions and qualifications, the 5.375% Notes contain certain covenants that limit the Company's ability to, among other things: incur additional indebtedness; create or permit liens to exist; and make certain restricted payments, dispositions and transfers of assets.

CORPORATE INFORMATION

Management

Marty Proctor
President & CEO

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CFO

Glen Nevokshonoff
COO

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Executive Vice President, Corporate

Tim Stauft
Senior Vice President

Kyle Brunner
General Counsel

Chris Feltin
Vice President, Corporate Planning

Randall Hnatuik
Vice President, Business Development

Barry Hucik
Vice President, Drilling

Kevin Johnston
Vice President, Accounting & Controller

Brian Newmarch
Vice President, Capital Markets

Charlotte Raggett
Vice President, Midstream Business Development

Directors

Kent Jespersen
Chairman

Marty Proctor
President & CEO

Kevin Brown

Pat Carlson

Avik Dey

Harvey Doerr

Paul Hand

Dale Hohm

Bill McAdam

Kaush Rakhit

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Export Development Canada
JP Morgan Chase Bank, N.A., Toronto Branch
National Bank of Canada
The Bank of Nova Scotia
The Toronto-Dominion Bank
Alberta Treasury Branches
Barclays Bank PLC
Fédération des Caisses Desjardins Du Québec
Wells Fargo Bank, N.A., Canadian Branch

Auditors

PricewaterhouseCoopers LLP

Legal Counsel

Stikeman Elliott LLP

Independent Evaluators

McDaniel & Associates Consultants Ltd.

Stock Symbol

VII
Toronto Stock Exchange