SEVEN GENERATIONS

ENERGY

Condensed Interim
Consolidated Financial Statements

For the three and six months ended June 30, 2017 and 2016

SEVEN GENERATIONS ENERGY LTD.

Condensed Interim Consolidated Balance Sheets *(unaudited)*

(millions of Canadian dollars)

As at	Notes	June 30, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	3	**$ 413.2**	$ 630.8
Accounts receivable		**245.1**	181.9
Risk management contracts	15	**52.5**	—
Deposits and prepaid expenses		**22.4**	17.7
		733.2	830.4
Risk management contracts	15	**55.7**	—
Oil and natural gas assets	4	**6,361.7**	5,750.1
Investment in associate	5	**21.4**	21.9
		7,172.0	6,602.4
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**434.0**	244.5
Risk management contracts	15	**0.5**	71.7
		434.5	316.2
Risk management contracts	15	**0.3**	77.7
Senior notes	7	**2,041.9**	2,111.9
Other long-term liabilities	8	**202.3**	165.0
Deferred income taxes		**235.2**	108.8
		2,914.2	2,779.6
Equity			
Share capital	9	**3,859.3**	3,830.5
Contributed surplus		**82.3**	69.4
Retained earnings (Deficit)		**316.2**	(77.1)
		4,257.8	3,822.8
		$ 7,172.0	$ 6,602.4

Commitments and contingencies (Note 16)

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)

		Three months ended June 30,		Six months ended June 30,	
	Notes	2017	2016	2017	2016
Revenues					
Liquids and natural gas sales		**$ 505.1**	$ 287.4	**$ 994.4**	$ 475.4
Royalties recovery (expense)		**(9.3)**	18.6	**(26.1)**	5.6
		495.8	306.0	**968.3**	481.0
Risk management contracts					
Realized gain (loss)	15	**1.8**	29.6	**(5.4)**	65.8
Unrealized gain (loss)	15	**93.0**	(164.3)	**255.8**	(120.1)
Other income		**1.2**	1.0	**2.4**	1.9
		591.8	172.3	**1,221.1**	428.6
Expenses					
Operating	12	**93.9**	44.8	**162.7**	75.8
Transportation, processing and other	13	**82.3**	56.2	**154.3**	91.9
General and administrative		**12.3**	10.1	**23.1**	17.8
Depletion and depreciation	4	**171.1**	116.4	**328.3**	205.8
Stock-based compensation		**8.2**	3.7	**14.2**	8.6
Finance expense	14	**40.1**	29.8	**83.5**	57.1
Foreign exchange gain		**(48.5)**	(8.7)	**(68.3)**	(105.3)
Market access initiatives	5	**2.2**	—	**1.9**	—
		361.6	252.3	**699.7**	351.7
Income before taxes		**230.2**	(80.0)	**521.4**	76.9
Income Taxes					
Current income tax expense		**1.0**	0.6	**1.7**	0.7
Deferred income tax expense (recovery)		**51.1**	(23.1)	**126.4**	(4.8)
		52.1	(22.5)	**128.1**	(4.1)
Net income (loss) and comprehensive income (loss)		**$ 178.1**	$ (57.5)	**$ 393.3**	$ 81.0
Net income (loss) per share					
Basic	11	**$ 0.50**	$ (0.21)	**$ 1.12**	$ 0.30
Diluted	11	**$ 0.49**	$ (0.21)	**$ 1.08**	$ 0.28

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 June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Operating activities					
Net income (loss) for the period		**$ 178.1**	$ (57.5)	**$ 393.3**	$ 81.0
Items not affecting cash:					
Deferred income tax expense (recovery)		**51.1**	(23.1)	**126.4**	(4.8)
Depletion and depreciation	4	**171.1**	116.4	**328.3**	205.8
Unrealized (gain) loss on risk management contracts	15	**(93.0)**	164.3	**(255.8)**	120.1
Stock-based compensation	10	**8.2**	3.7	**14.2**	8.6
Non-cash finance expenses and other		**0.4**	0.6	**2.1**	0.8
Market access initiatives	5	**1.7**	—	**0.5**	—
Unrealized foreign exchange gain		**(49.5)**	(6.9)	**(68.6)**	(103.3)
Prepaid processing fees on third-party facilities	4	**(23.5)**	—	**(23.5)**	—
Changes in non-cash working capital	17	**(50.7)**	(45.3)	**12.7**	(11.5)
Cash provided by operating activities		**193.9**	152.2	**529.6**	296.7
Financing activities					
Issuance of common shares for cash	9	**—**	—	**—**	300.0
Share issuance costs	9	**—**	—	**—**	(13.3)
Exercise of equity compensation units	9	**14.5**	8.1	**21.4**	18.3
Changes in non-cash working capital	17	**—**	(0.3)	**—**	—
Cash provided by financing activities		**14.5**	7.8	**21.4**	305.0
Investing activities					
Investments in oil and natural gas assets	4	**(512.5)**	(219.3)	**(874.8)**	(486.5)
Changes in non-cash working capital	17	**78.8**	(74.6)	**108.0**	(82.8)
Cash used in investing activities		**(433.7)**	(293.9)	**(766.8)**	(569.3)
Foreign exchange gain (loss) on cash in foreign currencies		**(1.1)**	0.5	**(1.8)**	0.1
Increase (decrease) in cash and cash equivalents		**(226.4)**	(133.4)	**(217.6)**	32.5
Cash and cash equivalents, beginning of period		**639.6**	570.9	**630.8**	405.0
Cash and cash equivalents, end of period		**$ 413.2**	$ 437.5	**$ 413.2**	$ 437.5

Supplementary disclosure of cash flow information (Note 17)

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)

Six months ended June 30,	Notes		2017		2016
Share capital					
Balance, beginning of period		**$**	**3,830.5**	$	1,775.7
Issuance of common shares	9		**—**		300.0
Share issuance costs	9		**—**		(9.7)
Exercise of equity compensation units	9		**28.8**		25.7
Balance, end of period			**3,859.3**		2,091.7
Contributed surplus					
Balance, beginning of period			**69.4**		61.8
Stock-based compensation	10		**20.3**		12.2
Exercise of equity compensation units	10		**(7.4)**		(7.4)
Balance, end of period			**82.3**		66.6
Retained earnings (deficit)					
Balance, beginning of period			**(77.1)**		(50.8)
Net income for the period			**393.3**		81.0
Balance, end of period			**316.2**		30.2
Total shareholders equity, beginning of period		**$**	**3,822.8**	**$**	**1,786.7**
Total shareholders equity, end of period		**$**	**4,257.8**	**$**	**2,188.5**

See accompanying notes to the condensed interim consolidated financial statements.

SEVEN GENERATIONS ENERGY LTD.

Notes to the Condensed Interim Consolidated Financial Statements
As at and for the three and six months ended months ended June 30, 2017 and 2016
(all tabular amounts in millions of Canadian dollars, except share and price information)

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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 oil 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 ("IAS") 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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.

Certain comparative figures from prior periods have been reclassified to conform to the current period's presentation. Decommissioning liabilities and deferred credits have been disclosed as other long-term liabilities in Note 8. Marketing gains have been disclosed with transportation, processing and other expenses in Note 13, previously included in Other Income.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 2, 2017.

3. CASH AND CASH EQUIVALENTS

		June 30, 2017		December 31, 2016
Cash	**$**	**161.5**	$	325.5
GIC collateral accounts(1)		**59.6**		59.2
Short term investments(2)		**192.1**		246.1
Cash and cash equivalents	**$**	**413.2**	$	630.8

(1) As at June 30, 2017, the GIC collateral accounts included $36.1 million as Canadian dollar GIC collateral and US$18.1 million as US dollar GIC collateral ($23.5 million). The bearing interest is at a weighted average of 0.9% (December 31, 2016 - 0.9%)
(2) As at June 30, 2017, the short term investments bear interest at a weighted average rate of 0.8%, (December 31, 2016 - 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		30.1		843.0		1.7		**874.8**
Prepaid processing fees on third-party facilities		—		—		23.5		**23.5**
Non-cash capitalized costs(1)		—		41.6		—		**41.6**
Balance at June 30, 2017		541.7		7,136.9		39.3		**7,717.9**
Accumulated depletion and depreciation								
Balance at December 31, 2015		—		541.0		3.3		**544.3**
Depletion and depreciation expense		—		481.5		2.1		**483.6**
Balance at December 31, 2016		—		1,022.5		5.4		**1,027.9**
Depletion and depreciation expense		—		327.4		0.9		**328.3**
Balance at June 30, 2017	$	—	$	1,349.9	$	6.3	**$**	**1,356.2**
Net book value								
Balance at December 31, 2016	$	511.6	$	5,229.8	$	8.7	**$**	**5,750.1**
Balance at June 30, 2017	$	541.7	$	5,787.0	$	33.0	**$**	**6,361.7**

(1) For the six months ended June 30, 2017, non-cash capitalized costs include $35.5 million of decommissioning obligation assets (year ended December 31, 2016 - $68.0 million) and $6.1 million related to stock based compensation (six months ended June 30, 2016 - $2.1 million) and nil of borrowing costs (year ended December 31, 2016 - $0.1 million).

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 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), $6.0 million of oil and natural gas assets and cash of $505.1 million. The Acquisition included approximately $2.4 billion of take or pay commitments (Note 16).

As at June 30, 2017, $598.5 million in oil and natural gas assets were not subject to depletion and depreciation as they were primarily not ready for use in the manner intended by management (December 31, 2016 - $503.7 million).

During the six months ended June 30, 2017, the Company invested $23.5 million to upgrade a processing facility owned by a third-party 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 June 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 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.

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

For the six months ended June 30, 2017, the Company's share of Steelhead LNG's net loss was $4.7 million and was recognized as a market access initiative expense. During 2017, Steelhead LNG issued Seven Generations 4.2 million equity units in exchange for pre-development investments funded by Seven Generations. The Company recognized the $4.2 million recovery against market access initiative expense. As at June 30, 2017, Seven Generations' equity interest in Steelhead LNG was 37.5%.

During the year, 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. Steelhead LNG's projects are in the pre-development phase and the entity is currently seeking additional investors to fund project advancement.

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. There are two financial covenants associated with the Credit Facility consisting of:

- 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 (excludes the balance of the senior notes), less cash and cash equivalents.

As at June 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 was (0.37):1 and 6.75:1, respectively.

At June 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 will be amortized to net income over the term of the Credit Facility.

7. SENIOR NOTES

		June 30, 2017		December 31, 2016
US$700 million 8.25% senior notes, due May 15, 2020	$	**908.4**	$	939.9
US$425 million 6.75% senior notes, due May 1, 2023		**551.5**		570.6
US$450 million 6.875% senior notes, due June 30, 2023		**584.0**		604.2
		2,043.9		2,114.7
Less unamortized debt issue costs		**(22.3)**		(25.5)
Plus unamortized premium		**20.3**		22.7
Balance, end of period	$	**2,041.9**	$	2,111.9

The senior notes are carried at amortized cost, net of transaction costs and are accreted up to their principal balance at maturity using the effective interest rate method. As at June 30, 2017, the fair value of senior notes was $2,054.6 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$1.30 (December 31, 2016 – US$1=C$1.34).

The Company is exposed to foreign exchange rate fluctuations on the principal related to senior notes. As at June 30, 2017, a 10% increase to the value of the Canadian dollar relative to the US dollar would result in a gain of approximately $205.0 million (10% decline - loss of $205.0 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.

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

		June 30, 2017		December 31, 2016
Decommissioning liabilities	$	**198.2**	$	160.7
Onerous lease		**3.3**		3.6
Deferred credits		**0.8**		0.7
Total other long-term liabilities	$	**202.3**	$	165.0

Decommissioning liabilities

		Six months ended June 30, 2017		Year ended December 31, 2016
Balance, beginning of period	$	**160.7**	$	79.1
Liabilities incurred		**14.4**		21.3
Liabilities acquired through acquisition		**—**		10.7
Changes in estimates		**10.8**		27.9
Changes in estimated discount rates		**10.3**		18.9
Accretion (Note 14)		**2.0**		2.8
Balance, end of period	$	**198.2**	$	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. The total undiscounted, uninflated amount of the estimated cash flows required to settle the decommissioning liabilities at June 30, 2017 was approximately $199.3 million (December 31, 2016 – $164.8 million) which is expected to be incurred over the next 35 years with the majority of costs incurred between 2041 and 2052. As at June 30, 2017, the Company utilized a risk free rate of 2.1% (December 31, 2016 – 2.3%) and an inflation rate of 2.0% (December 31, 2016 – 2.0%) to estimate the value of the decommissioning liabilities.

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:

	Six months ended June 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 tax	**—**		**—**	—		(31.8)
Issued on exercise of stock options and performance warrants	**3.9**		**21.4**	10.3		55.7
Transfer from contributed surplus on exercise of stock options	**—**		**7.4**	—		18.1
Balance, end of period	**354.2**	**$**	**3,859.3**	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 and restricted share units ("PRSUs"), and deferred share units ("DSUs").

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

	June 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	**12.2**	**16.54**	**6.0**	11.2	13.95	5.4
Performance warrants	**8.6**	**6.88**	**1.8**	11.4	6.62	1.9
PRSUs	**0.8**	**—**	**—**	0.8	—	—
DSUs	**0.1**	**—**	**—**	0.1	—	—
Units outstanding	**21.7**	**12.05**	**4.1**	23.5	9.86	3.5

During the six months ended June 30, 2017, total outstanding equity compensation units decreased by 1.8 million units primarily due to the exercise of 1.1 million stock options and 2.8 million performance warrants, offset by the issuance of 2.1 million new equity unit grants.

The Company estimates the fair value of stock options granted using the Black-Scholes pricing model. The weighted-average fair value of stock options, PRSUs and DSUs granted during the period was $7.65, $24.75, and $22.99, respectively (six months ended June 30, 2016 - $7.98, nil, and $18.95).

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

	June 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	**6.8**	**$**	**9.46**	**3.5**	6.4	$	7.57	3.1
Performance warrants	**7.4**		**6.37**	**1.6**	9.6		5.99	1.5
PRSUs	**0.2**		**—**	**—**	0.6		—	—
DSUs	**0.1**		**—**	**—**	0.1		—	—
Units exercisable	**14.5**	**$**	**7.69**	**2.5**	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 June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
Weighted average number of common shares – basic	**353.4**	278.4	**352.0**	270.8
Effect of outstanding equity compensation units[(1)]	**11.7**	—	**12.8**	17.1
Weighted average number of common shares - diluted	**365.1**	278.4	**364.8**	287.9

(1) For the three months ended June 30, 2016, 6.5 million stock options and 12.4 million performance warrants have been excluded from the diluted earnings per share calculation since these are anti-dilutive as the Company was in a net loss position.

12. OPERATING EXPENSES

		Three months ended June 30,				Six months ended June 30,		
		2017		2016		2017		2016
Trucking and disposal	**$**	**44.1**	$	17.9	**$**	**68.7**	$	27.7
Equipment rental and maintenance		**25.3**		10.2		**50.9**		19.9
Chemicals and fuel		**9.9**		6.7		**18.4**		12.6
Staff and contractor costs		**10.2**		5.6		**17.6**		9.3
Other		**4.4**		4.4		**7.1**		6.3
Operating expenses	**$**	**93.9**	$	44.8	**$**	**162.7**	$	75.8

13. TRANSPORTATION, PROCESSING AND OTHER EXPENSES

		Three months ended June 30,				Six months ended June 30,		
		2017		2016		2017		2016
Pipeline tariffs	**$**	**52.9**	$	38.7	**$**	**97.7**	$	68.7
Processing		**19.4**		—		**37.1**		—
Trucking and other		**16.1**		18.8		**27.9**		28.6
Marketing expenses (gains)[(1)]		**(6.1)**		(1.3)		**(8.4)**		(5.4)
Transportation, processing and other	**$**	**82.3**	$	56.2	**$**	**154.3**	$	91.9

(1) Comparative figures have been reclassified to conform to current period presentation.

14. FINANCE EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Interest on senior notes	**$ 37.3**	$ 27.6	**$ 77.9**	$ 56.9
Revolving credit facility fees and other	**1.5**	1.6	**2.9**	2.8
Amortization of premium and debt issuance costs	**0.3**	0.2	**0.7**	0.3
Accretion (Note 8)	**1.0**	0.4	**2.0**	0.8
Total finance costs	**40.1**	29.8	**83.5**	60.8
Capitalized borrowing costs	**—**	—	**—**	(3.7)
Finance expense	**$ 40.1**	$ 29.8	**$ 83.5**	$ 57.1

15. RISK MANAGEMENT CONTRACTS

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 - 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.

The Company had the following risk management contracts in place at June 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	190,000	$2.98	55,000	$2.50 - $3.03	104.0	1.3154
2018	15,250	$61.69 - $78.23	12,000	$40.83/$56.25/$75.54	165,000	$2.90	50,000	$2.50 - $2.99	174.5	1.3265
2019	10,500	$60.00 - $79.00	6,000	$41.25/$56.67/$77.15	75,000	$2.92	50,000	$2.50 - $2.99	79.7	1.3169
2020	1,500	$60.00 - $77.17	—	—	7,500	$2.84	—	—	7.8	1.3310

During the three and six months ended months ended June 30, 2017, the Company's risk management contracts resulted in a realized gain of $1.8 million and a realized loss of $5.4 million, respectively (three and six months ended months ended June 30, 2016 – realized gain of $29.6 million and $65.8 million) and an unrealized gain of $93.0 million and $255.8 million, respectively (three and six months ended months ended June 30, 2016 – unrealized loss of $164.3 million and $120.1 million).

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

	June 30, 2017	December 31, 2016
Natural gas	**$ 26.4**	$ (70.0)
Oil	**69.7**	(71.0)
Foreign exchange swap	**11.3**	(8.4)
Net position asset (liability)	**$ 107.4**	$ (149.4)

16. COMMITMENTS AND CONTINGENCIES

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

	2017	2018	2019	2020	2021	Thereafter	Total
Senior notes[1]	—	—	—	908.4	—	1,135.5	**2,043.9**
Interest on senior notes	76.0	152.3	152.3	105.5	77.4	109.9	**673.4**
Firm transportation and processing agreements[2]	202.9	441.4	461.2	499.8	526.4	3,067.3	**5,199.0**
Office leases	2.5	4.3	3.6	3.5	3.5	6.8	**24.2**
Estimated contractual obligations	281.4	598.0	617.1	1,517.2	607.3	4,319.5	**7,940.5**

(1) Balance represents US$1.575 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 counterparty transportation companies.

The following table outlines the take or pay obligations, on average over the next five years under the Company's significant delivery and receipt transportation and processing agreements:

	2017	2018	2019	2020	2021	Expiring[1]
Transportation						
Condensate						
Pembina (mbbl/d)	56.3	56.3	56.6	65.3	73.8	June 30, 2030
Natural gas						
Alliance (MMcf/d)	448	475	508	508	508	October 31, 2025
NGTL Receipt (MMcf/d)[2]	172	293	391	558	660	April 30, 2029
NGTL Empress Delivery (MMcf/d)[2]	27	80	80	80	80	October 31, 2022
TCPL Delivery (MMcf/d)	26	77	77	77	77	October 31, 2027
NGTL A/BC Delivery (MMcf/d)[2]	—	—	2	58	92	June 30, 2042
Foothills (BC) Delivery (MMcf/d)	—	—	2	58	91	May 31, 2030
GTN (MMcf/d)[5]	—	—	11	92	92	October 31, 2035
NGPL (MMcf/d)[3]	100	83	—	—	—	October 31, 2018
NGLs						
Pembina (mbbl/d)[4]	26.5	26.4	26.4	29.7	33.1	June 30, 2030
Processing						
Natural gas (MMcf/d)[4]	160	173	193	200	200	April 20, 2036
NGLs (mbbl/d)	45.8	39.6	38.2	38.2	38.2	March 31, 2028

(1) When lines include multiple contracts of various expiration dates, the latest expiration date has been referenced.
(2) The timing of the firm commitments under the agreement with Nova Gas Transmission Ltd. ("NGTL"), a wholly owned subsidiary of TransCanada Pipelines Limited ("TCPL"), is dependent upon the completion of an NGTL system expansion, which is expected mid-2018.
(3) Natural Gas Pipeline Company of America LLC ("NGPL").
(4) The timing of the firm commitments under the agreement with Pembina Pipeline Corporation ("Pembina") is dependent upon the completion of the Phase 3 expansion, which is expected during the third quarter of 2017.
(5) Gas Transmission Northwest LLC ("GTN").

The Company enters into physical delivery contracts in its various gas markets on month-to-month and term contract basis. Pricing of the physical delivery contracts is primarily based on published North American natural gas indices and fixed prices. 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 consolidated financial statements.

The following table illustrates the average daily volumes the Company has committed to deliver on a term contract basis as at June 30, 2017:

Contracts expiring in the year ended December 31,	Chicago Citygate MMBtu/d	Gulf Coast MGJ/d	AECO MMBtu/d
2017	201	50	54
2017	34	40	22
2019	—	—	20

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.

17. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Accounts receivable	**(67.7)**	(37.6)	**(63.2)**	(31.4)
Deposits and prepaid expenses	**(6.9)**	(4.5)	**(4.7)**	(4.7)
Accounts payable and accrued liabilities	**102.7**	(78.1)	**188.6**	(58.2)
	28.1	(120.2)	**120.7**	(94.3)
Relating to:				
Operating activities	**(50.7)**	(45.3)	**12.7**	(11.5)
Financing activities	**—**	(0.3)	**—**	—
Investing activities	**78.8**	(74.6)	**108.0**	(82.8)

CORPORATE INFORMATION

Management
Marty Proctor
President & CEO

Christopher Law
CFO

Glen Nevokshonoff
COO

Susan Targett
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

M. Jacqueline Sheppard

Jeff van Steenbergen

Corporate Office
4400, 525 – 8 Avenue S.W.
Calgary, Alberta, T2P 1G1
Telephone: (403) 718-0700
Fax: (403) 532-8020

Trustee and Transfer Agent
Computershare Trust Company of Canada
600, 530 – 8 Avenue S.W.
Calgary, Alberta, T2P 3S8

Banks
Royal Bank of Canada
Bank of Montreal
Canadian Imperial Bank of Commerce
Credit Suisse AG, Toronto Branch
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
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Toronto Stock Exchange