SEVEN GENERATIONS

ENERGY

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

SEVEN GENERATIONS ENERGY LTD.

Condensed Interim Consolidated Balance Sheets (unaudited)

(millions of Canadian dollars)

As at	Notes	March 31, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	4	**$ 11.1**	$ 78.1
Accounts receivable	5	**303.9**	237.3
Risk management contracts	7	**18.3**	83.9
Deposits and prepaid expenses		**21.2**	24.0
		354.5	423.3
Risk management contracts	7	**4.7**	44.1
Oil and natural gas assets	6	**7,869.3**	7,652.1
		8,228.5	8,119.5
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**455.3**	393.5
Risk management contracts	7	**62.3**	16.9
		517.6	410.4
Risk management contracts	7	**34.1**	23.7
Senior notes	9	**2,086.5**	2,129.8
Other long-term liabilities	10	**219.1**	194.2
Deferred income taxes		**501.8**	511.8
		3,359.1	3,269.9
Equity			
Share capital	11	**3,818.5**	3,813.8
Contributed surplus		**114.8**	110.5
Retained earnings		**936.1**	925.3
		4,869.4	4,849.6
		$ 8,228.5	$ 8,119.5

Commitments and contingencies (Note 14)

See accompanying notes to the condensed interim consolidated financial statements.

SEVEN GENERATIONS ENERGY LTD.

Condensed Interim Consolidated Statements of Comprehensive Income (unaudited)

(millions of Canadian dollars, except per share amounts)

Three months ended	Notes	March 31, 2019	March 31, 2018
Revenues			
Liquids and natural gas sales	15	**$ 753.2**	$ 752.4
Royalties expense		**(40.9)**	(18.9)
		712.3	733.5
Risk management contracts			
Realized loss	7	**(6.0)**	(13.1)
Unrealized loss	7	**(160.8)**	(74.2)
Other income		**0.8**	2.3
		546.3	648.5
Expenses			
Operating expenses	16	**87.5**	96.8
Transportation, processing and other	17	**133.2**	119.2
Product purchases	15	**94.9**	82.9
Depletion and depreciation	6	**211.9**	192.1
Finance expense	18	**35.5**	31.4
General and administrative		**16.7**	10.9
Stock-based compensation	19	**5.2**	5.6
Foreign exchange (gain) loss		**(39.4)**	53.9
Loss on associate		**—**	1.1
		545.5	593.9
Income before taxes		**0.8**	54.6
Income Taxes			
Current income tax expense		**—**	0.5
Deferred income tax expense (recovery)		**(10.0)**	31.4
		(10.0)	31.9
Net income and comprehensive income		**$ 10.8**	$ 22.7
Net income per share			
Basic	12	**$ 0.03**	$ 0.06
Diluted	12	**$ 0.03**	$ 0.06

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)

Three months ended	Notes	March 31, 2019	March 31, 2018
Operating activities			
Net income and comprehensive income		**$ 10.8**	$ 22.7
Items not affecting cash:			
Depletion and depreciation	6	**211.9**	192.1
Unrealized loss on risk management contracts	7	**160.8**	74.2
Unrealized foreign exchange (gain) loss		**(44.3)**	52.6
Deferred income tax expense (recovery)		**(10.0)**	31.4
Stock-based compensation	19	**5.2**	5.6
Non-cash finance expenses and other		**4.4**	1.4
Loss on associate		**—**	1.1
Reclamation expenditures	10	**—**	(1.6)
Changes in non-cash working capital	20	**(79.5)**	44.6
Cash provided by operating activities		**259.3**	424.1
Financing activities			
Draws on credit facility	8	**119.1**	—
Repayment of credit facility draws	8	**(120.8)**	—
Lease payments	10	**(0.7)**	—
Exercise of equity compensation units	11	**2.0**	4.5
Changes in non-cash working capital	20	**(6.0)**	—
Cash provided by (used in) financing activities		**(6.4)**	4.5
Investing activities			
Investments in oil and natural gas assets	6	**(400.9)**	(582.6)
Changes in non-cash working capital	20	**81.0**	110.8
Cash used in investing activities		**(319.9)**	(471.8)
Foreign exchange gain on cash held in foreign currencies		**—**	0.1
Decrease in cash and cash equivalents		**(67.0)**	(43.1)
Cash and cash equivalents, beginning of year		**78.1**	165.3
Cash and cash equivalents, end of period		**$ 11.1**	$ 122.2

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)

Three months ended	Notes	March 31, 2019	March 31, 2018
Share capital			
Balance, beginning of year		**$ 3,813.8**	$ 3,864.4
Exercise of equity compensation units	19	**4.7**	6.3
Balance, end of period		**3,818.5**	3,870.7
Contributed surplus			
Balance, beginning of year		**110.5**	100.6
Stock-based compensation	19	**7.0**	7.3
Exercise of equity compensation units	19	**(2.7)**	(1.8)
Balance, end of period		**114.8**	106.1
Retained earnings			
Balance, beginning of year		**925.3**	485.4
Net income and comprehensive income		**10.8**	22.7
Balance, end of period		**$ 936.1**	$ 508.1
Total shareholders equity, beginning of year		**$ 4,849.6**	$ 4,450.4
Total shareholders equity, end of period		**$ 4,869.4**	$ 4,484.9

See accompanying notes to the condensed interim consolidated financial statements.

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1. NATURE OF BUSINESS

Seven Generations Energy Ltd. ("Seven Generations" or "the Company") was incorporated under the *Canada Business Corporations Act* and commenced operations in 2008. Seven Generations is a low-supply cost energy producer dedicated to stakeholder service, responsible development and generating strong returns from condensate and liquids-rich natural gas at the Company's Kakwa River Project in northwest Alberta, 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". These condensed interim consolidated financial statements ("consolidated financial statements") were approved and authorized by Seven Generations' Board of Directors on May 2, 2019.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. They have been prepared on a historical cost basis, except for certain financial instruments which are measured at their estimated fair value. 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' consolidated financial statements for the years ended December 31, 2018 and 2017. The statements follow the same accounting policies as the consolidated financial statements for the year ended December 31, 2018, other than for the modified retrospective adoption of IFRS 16 - Leases ("IFRS 16") on January 1, 2019 (Note 3).

These consolidated financial statements consist of the financial records of Seven Generations and its wholly owned subsidiary, Seven Generations Energy (US) Corp. All inter-company transactions have been eliminated. The Company's functional currency is Canadian dollars and all amounts are reported in millions of Canadian dollars unless noted otherwise. References to "US$" are to United States dollars.

3. NEW ACCOUNTING POLICY

On January 1, 2019, Seven Generations adopted the new accounting standard IFRS 16. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease ("IFRIC 4"), the accounting for onerous lease liabilities which were previously measured under IAS 37 Provisions ("IAS 37") and other related IFRS interpretations. IFRS 16 prescribes a single recognition and measurement model for lease contracts and requires the recognition of a right-of-use asset and corresponding lease liability for most leases, including subleases.

Seven Generations elected to adopt IFRS 16 using the prescribed modified retrospective approach (simplified method) by recognizing an opening balance sheet adjustment for the Company's discounted right-of-use assets and corresponding lease liabilities as at January 1, 2019. Accordingly, there was no opening adjustment to retained earnings and the comparative 2018 consolidated statements of comprehensive income and cash flows have not been restated to reflect the accounting presentation prescribed under IFRS 16.

At the date of transition, Seven Generations recognized a lease liability of $9.2 million in respect of long-term minimum commitments associated with corporate office lease arrangements under IFRS 16. The net balance sheet impact on transition was $5.2 million due to the derecognition of a $4.0 million onerous lease provision for under-utilized office space previously recognized on the balance sheet under IAS 37, now recognized under IFRS 16 (Note 10). Under previous IFRS standards, office lease arrangements were recognized as general and administrative expenses as incurred. Seven Generations is the lessee for substantially all in-scope office lease arrangements.

The following table summarizes the opening balance sheet adjustment for the adoption of IFRS 16 as at January 1, 2019:

Opening Balance Sheet	December 31, 2018 (previous IFRS)	Adoption of IFRS 16	January 1, 2019 (new IFRS)
Oil and natural gas assets	**$ 7,652.1**	$ 5.2	**$ 7,657.3**
Accounts payable and accrued liabilities	**(393.5)**	(2.5)	**(396.0)**
Other long-term liabilities	**$ (194.2)**	$ (2.7)	**$ (196.9)**

Seven Generations has elected to apply the practical expedient exemption to scope-out non-cancellable low-value and short-term lease arrangements. The Company has also elected to not recognize contractual arrangements that previously had not met the definition of a lease under IFRIC 4 at the inception of the contract. These out-of-scope contractual arrangements continue to be recognized in net income as incurred.

At the inception of a contract, Seven Generations assesses if an agreement contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For all in-scope lease arrangements, a right-of-use asset and corresponding lease liability is initially recognized at the commencement date and measured at the net present value of all future non-cancellable lease payments at the commencement date of the contract. The lease payments are discounted using the rate implicit in the lease unless that rate is not readily determined, in which case, the Company's incremental borrowing rate is utilized. The estimated lease term consists of all non-cancellable periods under the contract and includes periods covered by an extension or termination option if Seven Generations is reasonably certain that it will exercise the option.

Right-of-use assets are depreciated to net income over the term of the contract using the straight line method. The depreciation of right-of-use assets that are utilized in respect of development activities is initially capitalized to property, plant and equipment ("PP&E") and then depleted to net income over the remaining life of the developed assets once they are ready for use in the manner intended by management. Lease liabilities are accreted upwards toward their settlement value over the expected life of the contract in order to reflect the passage of time. Lease payments reduce the lease liability and are reflected as a financing activity in the consolidated statement of cash flows. Right-of-use assets and lease liabilities are remeasured at each reporting period to reflect any contract modifications or reassessments that impact the remaining cash outflows under the contract.

4. CASH AND CASH EQUIVALENTS

As at March 31, 2019, Seven Generations held cash and cash equivalents of $11.1 million (December 31, 2018 - $78.1 million) and the Company's cash investments earned interest at a weighted average annual rate of 1.62% (December 31, 2018 - 2.29%). As at March 31, 2019, the credit risk associated with Seven Generations' cash was considered low as the balances were held with three large Canadian chartered banks (December 31, 2018 - three).

5. ACCOUNTS RECEIVABLE

As at		March 31, 2019		December 31, 2018
Liquids and natural gas sales	**$**	**278.2**	$	203.2
Royalty recoveries		**18.3**		28.4
GST and other		**4.9**		2.2
Joint venture billings		**2.5**		3.5
Accounts receivable	**$**	**303.9**	$	237.3

As at March 31, 2019, collection risk on the Company's outstanding accounts receivable balances was considered low given the Company's history of collections and greater than 90% of the Company's accounts receivables were held with investment-grade counterparties (December 31, 2018 - 90%). There were no material amounts past due as at March 31, 2019 or December 31, 2018.

6. OIL AND NATURAL GAS ASSETS

		Exploration and evaluation		Developed and producing		Other assets		Total
Investments in oil and natural gas assets								
Balance at December 31, 2017	$	331.2	$	8,121.9	$	38.6	**$**	**8,491.7**
Additions(1)		17.9		1,744.1		3.7		**1,765.7**
Non-cash capitalized costs(2)		1.5		(0.1)		(0.2)		**1.2**
Balance at December 31, 2018		350.6		9,865.9		42.1		**10,258.6**
Additions(1)		1.3		392.2		7.4		**400.9**
Non-cash capitalized costs(2)		—		23.3		—		**23.3**
Initial recognition of right-of-use assets (Note 3,10)		—		—		5.2		**5.2**
Balance at March 31, 2019		351.9		10,281.4		54.7		**10,688.0**
Accumulated depletion and depreciation								
Balance at December 31, 2017		4.5		1,746.6		7.6		**1,758.7**
Amortization of prepaid processing expenses		—		—		0.9		**0.9**
Depletion and depreciation		1.3		843.3		2.3		**846.9**
Balance at December 31, 2018		5.8		2,589.9		10.8		**2,606.5**
Amortization of prepaid processing expenses		—		—		0.3		**0.3**
Depletion and depreciation		—		210.9		1.0		**211.9**
Balance at March 31, 2019	$	5.8	$	2,800.8	$	12.1	**$**	**2,818.7**
Net book value								
Balance at December 31, 2018	$	344.8	$	7,276.0	$	31.3	**$**	**7,652.1**
Balance at March 31, 2019	$	346.1	$	7,480.6	$	42.6	**$**	**7,869.3**

(1) Seven Generations capitalized general and administrative expenses of $3.3 million during the three months ended March 31, 2019 (March 31, 2018 - $2.2 million).
(2) For the three months ended March 31, 2019, non-cash capitalized costs consisted of $21.5 million decommissioning obligation assets and $1.8 million of stock-based compensation (year ended December 31, 2018, non-cash capitalized costs consisted of $6.8 million of stock-based compensation partially offset by a $5.6 million reduction in decommissioning obligation assets).

As at March 31, 2019, $346.1 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, 2018 - $344.8 million).

At 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 March 31, 2019, there were no indicators of impairment.

7. RISK MANAGEMENT CONTRACTS

Seven Generations periodically enters into risk management contracts to manage the Company's exposure to commodity price and foreign currency risks. The following table summarizes the carrying value of Seven Generations' outstanding risk management contracts as at March 31, 2019:

As at	March 31, 2019	December 31, 2018
Natural gas	**$ 30.0**	$ 45.4
Oil	**(86.8)**	75.1
Foreign exchange	**(16.6)**	(33.1)
Net risk management contract asset (liability)	**$ (73.4)**	$ 87.4

Seven Generations believes that the credit risk associated with the Company's risk management contract assets is low as the the instruments are all held with large Canadian and US financial institutions. The Company's risk management contracts consisted of the following positions as at March 31, 2019:

	C$ WTI Collars		C$ WTI Sold Puts		US$ WTI Collars/Swaps		US$ WTI Sold Puts	
Term(1)	bbl/d	C$/bbl	bbl/d	C$/bbl	bbl/d	US$/bbl	bbl/d	US$/bbl
2019 remainder	**21,333**	$58.05 - $75.69	**6,000**	$41.11	**10,667**	$56.35 - $61.72	**1,333**	$40.00
2020	**8,500**	$57.06 - $71.50	**1,500**	$40.00	**13,500**	$53.62 - $60.20	**3,750**	$40.00
2021	**—**	—	**—**	—	**5,000**	$53.82 - $61.15	**1,750**	$40.00
2022	**—**	—	**—**	—	**250**	$55.16	**—**	—

(1) Weighted average volumes and prices are presented.

	Chicago Citygate Swaps		Chicago Basis Swaps		AECO 7A Collars/Swaps		NYMEX Henry Hub Collars/Swaps		NYMEX Henry Hub Sold Puts	
Term(1)	MMbtu/d	US$/ MMbtu	MMbtu/d	US$/ MMbtu	GJ/d	C$/GJ	MMbtu/d	US$/MMbtu	MMbtu/d	US$/ MMbtu
2019 remainder	**110,000**	$2.85	**3,333**	$(0.23)	**60,000**	$2.44 - $2.85	**90,000**	$2.89 - $3.02	**10,000**	$2.50
2020	**32,500**	$2.74	**52,500**	$(0.22)	**10,000**	$2.13	**82,500**	$2.74 - $2.92	**—**	—
2021	**—**	—	**40,000**	$(0.19)	**—**	—	**42,500**	$2.62 - $2.96	**—**	—
2022	**—**	—	**—**	—	**—**	—	**5,000**	$2.58 - $3.05	**—**	—

(1) Weighted average volumes and prices are presented.

	FX Swaps/Collars	
Term(1)	US$MM	C$/US$
2019 remainder	**$175.2**	$1.2887 - $1.2957
2020	**$210.7**	$1.2839 - $1.2948
2021	**$133.7**	$1.2912 - $1.3050
2022	**$7.4**	$1.3059 - $1.3283

(1) Weighted average figures are presented.

Swap instruments fix a single forward price that Seven Generations will receive for the underlying contract. Collar instruments create a range by setting a fixed floor and ceiling contract price. If the actual market value exceeds the ceiling or falls below the floor, Seven Generations receives the fixed ceiling price or fixed floor price, respectively. If actual market prices fall within the collar range, Seven Generations will receive the actual market price. Sold put instruments lower the fixed floor price on a collar if the market price settles below the sold put level.

8. CREDIT FACILITY

As at March 31, 2019, Seven Generations held an undrawn senior secured credit facility of $1.4 billion (the "Credit Facility"). The Credit Facility expires in 2023 and has a covenant-based borrowing structure. The Credit Facility also has an accordion feature that provides the Company with the ability to access an incremental $300.0 million of secured debt, subject to certain conditions.

During the three months ended March 31, 2019, US$90.0 million in cumulative amounts drawn under the Credit Facility were repaid by the end of the quarter. Borrowings under the Credit Facility bear interest at a market-based rate plus an applicable margin which ranges depending on the Company's Senior Secured Net Debt to EBITDA ratio. During the first quarter of 2019, amounts drawn under the Credit Facility bore an effective annual interest rate of 3.8%.

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 3.00:1
- 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 before interest, income taxes, depletion, depreciation and amortization, adjusted for certain non-cash, extraordinary or non-recurring items such as unrealized gains and losses on financial instruments. Senior Secured Net Debt consists of amounts drawn under the Credit Facility less cash and cash equivalents. The balance of the outstanding unsecured senior notes and any capital leases are excluded under the definition.

As at March 31, 2019, 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 (0.01):1 and 13.04:1, respectively.

The Company has an unsecured demand letter of credit facility of up to C$45.0 million and an additional US$25.0 million. As at March 31, 2019, C$41.4 million and US$20.6 million in letters of credit were issued and outstanding under the facility (December 31, 2018 - C$39.4 million and US$18.8 million).

9. SENIOR NOTES

As at	March 31, 2019	December 31, 2018
US$425 million 6.75% senior notes, due May 1, 2023	**$ 567.9**	$ 579.8
US$450 million 6.875% senior notes, due June 30, 2023	**601.3**	613.9
US$700 million 5.375% senior notes, due September 30, 2025	**935.4**	955.0
Senior notes principal	**2,104.6**	2,148.7
Less unamortized debt issue costs	**(22.1)**	(23.3)
Plus unamortized premium	**4.0**	4.4
Balance, end of period	**$ 2,086.5**	$ 2,129.8

(1) The US dollar senior notes were translated into Canadian dollars at the period end exchange rate of US$1=C$1.3363 (December 31, 2018 – US$1=C$1.3642).

The Company's 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 March 31, 2019, the fair value of the Company's senior notes was C$2,119.8 million (December 31, 2018 - C$2,054.1 million).

The Company has the option to redeem the senior notes at the following specified redemption prices:

	US$700 5.375% million senior notes(1)	US$425 6.75% million senior notes(2)	US$450 6.875% million senior notes(3)
2018	**105.4%**	**105.1%**	**105.2%**
2019	**105.4%**	**103.4%**	**103.4%**
2020	**104.0%**	**101.7%**	**101.7%**
2021	**102.7%**	**100.0%**	**100.0%**
2022	**101.3%**	**100.0%**	**100.0%**
2023	**100.0%**	**100.0%**	**100.0%**
2024 or thereafter	**100.0%**	**—**	**—**

(1) The change in redemption price for the US$700 million 5.375% senior notes takes effect on September 30th of each year. Prior to September 30th, 2020, the Company may only redeem up to 35% of the 5.375% Notes at a redemption price of 105.375% using the proceeds of one or more equity offerings, or can fully redeem the notes at a price of 104.031% plus the present value of interest that would otherwise be payable from the redemption date through September 30th 2020.
(2) The change in redemption price for the US$425 million 6.75% senior notes takes effect on May 1st of each year.
(3) The change in redemption price for the US$450 million 6.875% senior notes takes effect on June 30th of each year.

Subject to certain exceptions and qualifications, the senior unsecured notes have no financial covenants but limit Seven Generations' 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.

Refer to the Company's 2018 consolidated financial statements and Annual Information Form, which are both dated February 27, 2019, for further details. The indentures under which the senior notes were issued are also available on SEDAR at www.sedar.com.

Seven Generations is exposed to foreign exchange rate fluctuations on the principal value and interest payments in respect of the Company's senior notes. As at March 31, 2019, a 10% increase to the value of the Canadian dollar relative to the US dollar would result in a gain of approximately $210.5 million (10% decline - loss of $210.5 million).

10. OTHER LONG-TERM LIABILITIES

As at		March 31, 2019		December 31, 2018
Decommissioning liabilities	**$**	**212.9**	$	190.2
Lease liabilities (Note 3)		**8.7**		4.0
	$	**221.6**	$	194.2
Consisting of:				
Accounts payable and accrued liabilities	**$**	**2.5**	$	—
Other long-term liabilities	**$**	**219.1**	$	194.2

Decommissioning liabilities

As at		March 31, 2019		December 31, 2018
Balance, beginning of year	**$**	**190.2**	$	194.2
Liabilities incurred		**5.8**		23.9
Change in discount rates and other		**15.7**		(0.2)
Accretion (Note 18)		**1.2**		4.5
Change in estimate		**—**		(29.3)
Reclamation expenditures		**—**		(2.9)
Balance, end of period	**$**	**212.9**	$	190.2

Seven Generations' decommissioning liabilities reflect the estimated cost to dismantle, abandon, reclaim and remediate the Company's oil and natural gas assets in the Kakwa River Project at the end of their useful lives. As at March 31, 2019, the total estimated undiscounted, uninflated cash flows required to settle the Company's decommissioning liabilities was approximately $206.9 million (December 31, 2018 – $201.3 million). These liabilities are anticipated to be incurred over the next 35 years with the majority of costs incurred after 2040. As at March 31, 2019, the Company utilized a risk free rate of 1.8% (December 31, 2018 - 2.2%) and an inflation rate of 2.0% (December 31, 2018 – 2.0%).

Lease liabilities

As at		March 31, 2019		December 31, 2018
Balance, beginning of year	**$**	**4.0**	$	3.8
De-recognition of lease provision under IAS 37 (Note 3)		**(4.0)**		—
Initial recognition of lease liability under IFRS 16 (Note 3)		**9.2**		—
Liabilities incurred		**0.1**		—
Lease payments		**(0.7)**		(1.0)
Change in estimate		**—**		1.1
Accretion (Note 18)		**0.1**		0.1
Balance, end of period	**$**	**8.7**	$	4.0

Following the adoption of IFRS 16 on January 1, 2019, Seven Generations derecognized its onerous lease provision of $4.0 million previously valued under IAS 37 in respect of under-utilized office space and replaced it with a lease liability of $9.2 million for all office lease commitments. As at March 31, 2019, the estimated undiscounted cash flows required to settle the Company's lease liabilities were approximately $9.9 million (January 1, 2019 - $10.5 million) and are anticipated to be incurred over the next five years. As at March 31, 2019, the Company utilized a weighted average incremental borrowing rate of 6.0% (January 1, 2019 - 6.0%).

During the three months ended March 31, 2019, Seven Generations incurred expenses relating to low-value, short term lease commitments and variable operating costs in respect of non-cancellable lease liabilities of less than $5.0 million.

11. 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.

	March 31, 2019		December 31, 2018	
Three months ended	Number (millions)	Amount ($)	Number (millions)	Amount ($)
Balance, beginning of year	**352.6**	**$ 3,813.8**	354.7	$ 3,864.4
Purchase of common shares	**—**	**—**	(9.7)	(105.0)
Exercise of stock options and performance warrants	**0.5**	**2.0**	7.6	36.8
Transfer from contributed surplus on exercise of equity compensation	**—**	**2.7**	—	17.6
Balance, end of period	**353.1**	**$ 3,818.5**	352.6	$ 3,813.8

During the fourth quarter of 2018, Seven Generations received approval from the Toronto Stock Exchange to purchase the Company's outstanding common shares through a normal course issuer bid ("NCIB"). Under the NCIB, the Company is allowed to purchase up to 18,115,666 common shares until November 4, 2019.

All stock purchased under the NCIB is acquired at prevailing market prices and is subsequently cancelled. During the year ended December 31, 2018, the Company purchased 9.7 million shares for cancellation at an average price of $10.72 per common share before transaction costs. The net book value of the common shares purchased in excess of amounts paid for the shares was recognized as an increase to contributed surplus. There were no shares purchased under the NCIB during the first quarter of 2019.

12. PER SHARE AMOUNTS

Three months ended	March 31, 2019	March 31, 2018
Weighted average number of common shares - basic	**353.0**	354.9
Dilutive effect of outstanding equity compensation units	**2.6**	8.6
Weighted average number of common shares - diluted	**355.6**	363.5

13. CAPITAL MANAGEMENT

Seven Generations' objective for managing capital is to maintain a strong balance sheet and available funding in order to provide financial flexibility to fund sustaining capital, future development growth and return capital to shareholders. Near-term development activities and any common share purchases are anticipated to be funded by the Company's adjusted funds flow, cash on hand and draws under the Credit Facility (Note 8).

The Company manages liquidity risk through its capital structure, cash flow forecasting and available credit. As at March 31, 2019, the Company had $11.1 million of cash (Note 4) and held an undrawn $1.4 billion Credit Facility (Note 8). Management believes it has sufficient funding to meet the Company's foreseeable liquidity requirements.

Seven Generations strives for a proportion of debt and equity which appropriately balances the level of risk being incurred through its capital investments with the Company's weighted average cost of capital. The Company's business plan targets a trailing 12 month ratio of net debt to adjusted funds flow of less than 2.0. The ratio was 1.4 for the 12 months ended March 31, 2019 (December 31, 2018 - 1.3).

The following tables summarize the Company's net debt and adjusted funds flow as at and for the three months ended March 31, 2019:

As at		March 31, 2019		December 31, 2018
Senior notes principal (Note 9)	$	**2,104.6**	$	2,148.7
Long-term portion of lease liabilities (Note 3,10)		**6.2**		4.0
Current assets		**(354.5)**		(423.3)
Current liabilities		**517.6**		410.4
		2,273.9		2,139.8
Current portion of risk management assets (Note 7)		**18.3**		83.9
Current portion of risk management liabilities (Note 7)		**(62.3)**		(16.9)
Net debt		**2,229.9**		2,206.8
Market capitalization(1)		**3,407.8**		3,928.9
Total capitalization	$	**5,637.7**	$	6,135.7

(1) Market capitalization was determined as the total common shares outstanding multiplied by the closing share price of $9.65 as at March 31, 2019 (closing share price of $11.14 at December 31, 2018).

Three months ended		March 31, 2019		March 31, 2018
Cash provided by operating activities	$	**259.3**	$	424.1
Changes in non-cash working capital		**79.5**		(44.6)
Reclamation expenditures (Note 10)		**—**		1.6
Prepaid processing fees on third-party facilities (Note 6)		**(0.3)**		(0.3)
Adjusted funds flow	$	**338.5**	$	380.8

Net debt is an important measure used by Management to assess the Company's liquidity by incorporating long-term debt, lease liabilities and working capital balances. Total capitalization is also used by Seven Generation's to analyze balance sheet strength and liquidity. Following the adoption of IFRS 16 on January 1, 2019, Seven Generations began including the lease liability in the net debt measure in order to provide users with a better understanding of the Company's long-term financing arrangements.

The Company utilizes adjusted funds flow as a measure of operational performance and cash flow generating capability. Adjusted funds flow impacts the level and extent of funding for capital projects investments, returning capital to shareholders and repaying debt. By excluding changes in non-cash working capital and other adjustments from cash flows, the adjusted funds flow measure provides a meaningful metric for Management by establishing a clear link between the Company's cash flows and operating netbacks from the Kakwa River Project.

Net debt and adjusted funds flow are not standardized measures and may not be comparable with the calculation of similar measures by other companies.

14. COMMITMENTS AND CONTINGENCIES

The following table summarizes the Company’s undiscounted future contractual cash outflows as at March 31, 2019:

($ millions)	2019	2020	2021	2022	2023	Thereafter	Total
Firm transportation and processing commitments	$ 362.3	$ 529.6	$ 555.8	$ 520.0	$ 330.1	$ 2,402.1	**$ 4,699.9**
Senior notes(1)	—	—	—	—	1,169.2	935.4	**2,104.6**
Interest on senior notes(1)	97.5	130.0	130.0	130.0	83.7	88.0	**659.2**
Accounts payable and accrued liabilities	455.3	—	—	—	—	—	**455.3**
Risk management contract liabilities	91.4	4.0	1.0	—	—	—	**96.4**
Long-term portion of lease liabilities (undiscounted)	—	2.0	2.0	2.1	1.1	—	**7.2**
Other contractual commitments	4.1	—	—	—	—	—	**4.1**
	$1,010.6	$ 665.6	$ 688.8	$ 652.1	$1,584.1	$ 3,425.5	**$ 8,026.7**

(1) US balances converted to Canadian dollars at the exchange rate of US$1=C$1.3363 as at March 31, 2019.

The senior notes, accounts payable and accrued liabilities, risk management contract liabilities and the long-term portion of lease liabilities are recognized on the Company's consolidated balance sheet. The firm transportation and processing commitments, interest on the senior notes and certain other contractual commitments are off-balance sheet arrangements in accordance with IAS 1 Presentation of Financial Statements.

Following the adoption of IFRS 16 on January 1, 2019, Seven Generations recognized a lease liability on the consolidated balance sheet for the majority of the Company's non-cancellable lease arrangements, primarily consisting of office space commitments. The Company elected to apply the practical expedient exemption to scope-out non-cancellable low-value and short-term lease arrangements. Seven Generations has also elected to not recognize certain natural gas processing commitments that previously had not met the definition of a lease under IFRIC 4 at the inception of the contract. These out-of-scope contractual commitments are off-balance sheet arrangements.

During the first quarter of 2019, Seven Generations entered into a third-party water disposal agreement with an undiscounted take-or-pay commitment of up to $88.4 million over five years. The commitment under the contract is contingent upon the productivity of the disposal wells. The contract qualifies as a lease arrangement under IFRS 16 and has currently been presented as a firm transportation and processing commitment in the table above. The commencement date of the contract is anticipated to occur in the first quarter of 2020 when the third party water disposal assets are expected to be ready for use. At that time, Seven Generations anticipates recognizing a discounted right-of-use asset and corresponding lease liability for the discounted value of the minimum lease payments under the contract.

Seven Generations is undergoing income tax and royalty related audits. While the timing and outcome of such audits cannot be predicted with certainty, the Company does not currently anticipate that these audits will have a material impact on its financial position or operating results and has not recognized a provision in the financial statements for any potential reassessments. There is a unlikely, but more than remote, chance that Seven Generations may be required to revise previous volumetric filings to report condensate as a natural gas equivalent instead of reporting condensate separately at the wellhead and this may result in material royalty assessments and interest owing under the previous royalty framework for wells spudded prior to 2017. Seven Generations believes its volumetric filings are consistent with the Company's field operations and supportable under the applicable laws, regulatory guidance and related interpretations.

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.

15. LIQUIDS AND NATURAL GAS SALES

Three months ended		March 31, 2019		March 31, 2018
Sales by product				
Condensate	**$**	**448.2**	$	502.5
Natural gas		**275.4**		200.1
NGLs		**29.6**		49.8
Liquids and natural gas sales	**$**	**753.2**	$	752.4
Sales by country				
Canada	**$**	**516.4**	$	579.8
United States	**$**	**236.8**	$	172.6
Sales by activity				
Production from the Kakwa River Project	**$**	**629.7**	$	645.2
Resale of purchased product	**$**	**123.5**	$	107.2

Seven Generations' resale of purchased product, less the cost of product purchased and applicable transportation tolls, reflects the net profit margin earned in respect of the Company's marketing activities. The cost of the condensate and natural gas purchased for resale during the three months ended March 31, 2019 was $36.6 million and $58.3 million, respectively, and has been presented as a separate expense on the consolidated statement of comprehensive income (three months ended March 31, 2018 - $58.1 million and $24.8 million). Included in transportation, processing and other expenses is $15.0 million of transportation tolls incurred in respect of products purchased for resale (three months ended March 31, 2018 - $10.8 million) (Note 17).

The Company enters into physical delivery contracts on the Alliance Pipeline to Chicago, Illinois, the Natural Gas Pipeline Company of America LLC pipeline to the US Gulf Coast, the TransCanada Pipelines Limited pipeline to Dawn, Ontario and the Nova Gas Transmission Ltd. pipeline in Alberta on a 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.

The following table summarizes the average daily volumes the Company has committed to deliver on a term contract basis as at March 31, 2019:

Average daily sales volume commitments	2019	2020
Chicago Citygate Index (MMBtu/d) - Alliance	**269,233**	7,262
Chicago Citygate Basis (MMBtu/d) - Alliance	**13,889**	—
Chicago Citygate Fixed (MMBtu/d) - Alliance	**7,556**	—
US Gulf Coast Basis (MMBtu/d) - NGPL	**80,556**	62,500
US Gulf Coast Index (MMBtu/d) - NGPL	**17,222**	20,833
Dawn Hub Index (MMBtu/d) - TCPL	**34,824**	—
Ventura Index (GJ/d) - NGTL	**19,208**	—

16. OPERATING EXPENSES

Three months ended		March 31, 2019		March 31, 2018
Water trucking and disposal	**$**	**23.8**	$	39.2
Equipment rental and maintenance		**29.6**		30.1
Staff and contractor costs		**13.9**		11.3
Chemicals and fuel		**13.3**		9.6
Property tax and other		**6.9**		6.6
Operating expenses	**$**	**87.5**	$	96.8

17. TRANSPORTATION, PROCESSING AND OTHER EXPENSES

Three months ended		March 31, 2019		March 31, 2018
Pipeline tariffs	**$**	**99.6**	$	77.6
Processing		**20.6**		30.0
Trucking and other		**13.0**		11.6
Transportation, processing and other	**$**	**133.2**	$	119.2

During the three months ended March 31, 2019, the Company incurred $15.0 million in respect of transportation tolls relating to product purchased for resale (three months ended March 31, 2018 - $10.8 million) (Note 15).

18. FINANCE EXPENSE

Three months ended		March 31, 2019		March 31, 2018
Interest on senior notes	**$**	**32.1**	$	30.5
Revolving credit facility fees and bank fees		**1.6**		1.3
Accretion (Note 10)		**1.3**		1.0
Amortization of premiums and debt issuance costs		**0.5**		0.3
Finance costs		**35.5**		33.1
Capitalized borrowing costs		**—**		(1.7)
Finance expense	**$**	**35.5**	$	31.4

Capitalized borrowing costs in 2018 relate to borrowed funds invested in respect of the construction of the Company's third wholly-owned gas processing plant in the Gold Creek area. The facility became ready for use in the manner intended by management during the fourth quarter of 2018, at which time the Company discontinued the capitalization of financing and interest costs.

19. STOCK-BASED COMPENSATION

The Company's equity compensation arrangements allow for the granting of equity incentive units to directors, officers, employees and service providers of the Company. The Company's current stock-based compensation plans consist of stock options, performance share units ("PSUs"), restricted share units ("RSUs") and deferred share units ("DSUs"). There are also performance warrants outstanding that were issued prior to the Company's initial public offering in 2014.

The following table summarizes the Company's outstanding equity compensation units as at March 31, 2019:

	March 31, 2019				December 31, 2018			
	Units (millions)		Weighted Average Exercise Price ($)	Weighted Average Remaining Life (years)	Units (millions)		Weighted Average Exercise Price ($)	Weighted Average Remaining Life (years)
Stock options	**13.2**	**$**	**16.82**	**6.0**	11.4	$	18.16	5.4
Performance warrants	**2.9**		**9.03**	**0.8**	3.1		8.92	1.1
PSUs and RSUs	**2.5**		**—**	**3.7**	1.1		—	3.2
DSUs	**0.4**		**—**	**—**	0.3		—	—
Units outstanding	**19.0**	**$**	**13.08**	**4.8**	15.9	$	14.69	4.6

During the three months ended March 31, 2019, the Company issued 3.8 million equity compensation units consisting of 2.2 million stock options and 1.6 million PSUs, RSUs and DSUs. The increase in equity compensation units from new grants were partially offset by the exercise of 0.5 million equity compensation units primarily relating to warrant and stock option grants issued in prior years. The Company also had 0.2 million equity compensation units forfeited during the first three months of 2019.

The Company estimates the fair value of stock options granted using the Black-Scholes pricing model. During the three months ended March 31, 2019, the weighted-average fair value of stock options and PSUs/RSUs granted was $3.56 and $9.59, respectively (year ended December 31, 2018 - $5.40 and $15.49).

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

	March 31, 2019				December 31, 2018			
	Units (millions)		Weighted Average Exercise Price ($)	Weighted Average Remaining Life (years)	Units (millions)		Weighted Average Exercise Price ($)	Weighted Average Remaining Life (years)
Stock options	**7.4**	**$**	**16.66**	**4.0**	7.1	$	16.61	3.8
Performance warrants	**2.7**		**8.53**	**0.8**	3.0		8.43	1.0
PSUs and RSUs	**0.4**		**—**	**6.7**	0.4		—	7.0
DSUs	**0.4**		**—**	**—**	0.3		—	—
Units exercisable	**10.9**	**$**	**13.54**	**3.1**	10.8	$	13.31	3.1

For additional information about the Company's stock-based compensation plans, refer to the audited consolidated financial statements for the year ended December 31, 2018 and the Company's Information Circular and Proxy Statement both dated March 8, 2019 which are available on SEDAR.

20. CHANGES IN NON-CASH WORKING CAPITAL

Three months ended		March 31, 2019		March 31, 2018
Accounts receivable	**$**	**(66.6)**	$	16.4
Deposits and prepaid expenses		**2.8**		4.5
Accounts payable and accrued liabilities		**61.8**		132.9
		(2.0)		153.8
Changes in current portion of other long-term liabilities		**(2.5)**		—
Unrealized foreign exchange gain (loss) in non-cash working capital		**—**		1.6
	$	**(4.5)**	$	155.4
Relating to:				
Operating activities	**$**	**(79.5)**	$	44.6
Financing activities	**$**	**(6.0)**	$	—
Investing activities	**$**	**81.0**	$	110.8

CORPORATE INFORMATION

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CFO

David Holt
COO

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Vice President, General Counsel & Corporate Secretary

Lynne Chrumka
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Chris Feltin
Vice President, Corporate Planning & Development

Randall Hnatuik
Vice President, Business Development

Barry Hucik
Vice President, Drilling

Jordan Johnsen
Vice President, Operations & Engineering

Kevin Johnston
Vice President, Accounting & Controller

Brian Newmarch
Vice President, Capital Markets

Charlotte Raggett
Vice President, Midstream Business Development

Pam Ramotowski
Vice President, Human Resources

Directors
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Chairman

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Auditors
PricewaterhouseCoopers LLP

Legal Counsel
Stikeman Elliott LLP

Independent Evaluators
McDaniel & Associates Consultants Ltd.

Stock Symbol
VII
Toronto Stock Exchange