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Seven Generations' board approves $1.25 billion capital budget in 2019

Includes $1.1 billion to maintain production and $150 million for infrastructure and delineation projects

CALGARY – Seven Generations Energy's Board of Directors has approved a 2019 capital investment budget of $1.25 billion that is expected to be funded from operations and that, given the current price environment, strikes a reasoned balance between current production and future growth projects.

"Our 2019 budget maintains our balance sheet strength while making prudent investments that position us for greater profitability when commodity prices and market conditions recover. 7G's 2019 capital investments are expected to be approximately half a billion dollars lower than they were in 2018. Despite our lower capital investments, we expect to both maintain production at the 2018 level and make substantial investments for future growth. Approximately 12 percent of our 2019 budget supports important investments that will enhance understanding of our Lower Montney resource through further delineation drilling and will expand future growth capabilities with valuable infrastructure," said Marty Proctor, 7G's President and Chief Executive Officer.

2019 budget highlights

- At US$50/bbl WTI, 2019 capital investments are projected to:
  - Approximately equal adjusted funds flow
  - Generate a cash return on invested capital greater than 13 percent

- $1.25 billion capital investment program includes approximately:
  - $1.1 billion of maintenance capital consisting of $780 million for core Nest 2 development and $320 million for Nest 1 and 3 development. Nest 3 development capital includes key infrastructure and pipelines required to fully integrate the region into the company's existing gathering and processing network
  - $125 million for Lower Montney and Wapiti region delineation drilling and advanced completion design testing along the Nest 1 north and east perimeters
  - $25 million of value-enhancing infrastructure projects including production and pressure optimization initiatives, workovers and water handling

- 2019 production forecast of approximately:
  - 200,000 to 205,000 boe/d of total production, including 75,000 boe/d of condensate
  - 36 - 38% condensate
  - 58 - 60% total liquids
  - 40 - 42% natural gas

Capital allocation philosophy

7G is committed to an investment philosophy that maximizes shareholder returns over the long term and manages financial risk by maintaining a strong balance sheet supported by a measured hedging program. If stronger commodity prices lead to increased corporate cash flows, the company will evaluate the optimal allocation of additional funds to alternatives that may include share buybacks, high-return production growth and margin-enhancing infrastructure investments.

7G's first-half-weighted capital investment plan in 2018 led to fewer new wells being brought on in late 2018. Similar to previous years, the 2018 investment profile will result in reduced production volumes during the first half of 2019. 7G's 2019 production additions in the second half of the year are planned to coincide with additional oil egress solutions out of Western Canada that should add further support to regional condensate demand and price dynamics.

7G's 2019 production profile will moderate corporate decline rates resulting in a reduced maintenance capital requirement in 2020 and beyond, which is expected to help drive a meaningful free cash flow profile in a US$50-$55/bbl WTI price environment. 7G's 2019 key, non-recurring, infrastructure investments in Nest 3 of $30 million will add approximately 40,000 boe/d of capacity to its base gathering system. This will support near term development of the area's prolific multi-year drilling inventory and potential inventory expansion in the region.

2019 delineation-drilling investments follow the company's recent successful Lower Montney result that has averaged 1,050 boe/d (72 percent condensate) in its first 90 days of production despite a completions intensity lower than the company's standard. The company expects to test five to seven new wells in the Lower Montney bench in 2019 across its Nest 2 and 3 areas in order to assess resource potential across 7G's broader land holdings.

2019 guidance and outlook

Production	
Condensate (%)	36 - 38
Total liquids (%)	58 - 60
Natural gas (%)	40 - 42
Total production (Mboe/d)	**200 - 205**
H1 2019 (Mboe/d)	195 - 200
H2 2019 (Mboe/d)	205 - 210
Expenses	
Royalties (%)	5 - 7
Operating ($/boe)	5.00 - 5.50
Transportation ($/boe)	6.75 - 7.25
G&A ($/boe)	0.80 - 0.90
Interest ($/boe)	1.80 - 1.90
Capital investment ($mm)	1,250
Drilling and completions (%)	55 - 60
Pipelines and infrastructure (%)	30 - 35
Delineation (%)	10 - 15

2018 update

7G expects 2018 production to average approximately 202,000 boe/d and capital investments to be in line with the company's 2018 guidance. Due to fourth quarter 2018 condensate price weakness, the company deferred until January the start-up of seven new wells that were drilled, completed and tied-in during November 2018.

Midstream update

As previously disclosed, 7G has initiated a formal process to identify partnership opportunities involving its processing plant located in the Gold Creek region. The company has received notable interest from a broad range of potential strategic and financial partners. This process affirms the value and revenue potential of the company's infrastructure network. 7G will provide updates on midstream developments in due course.

Financial strength

7G exited the year with approximately $80 million of cash on hand. The company recently extended the maturity of its currently undrawn $1.4 billion credit facility to the fourth quarter of 2023. This credit facility is subject to standard net-debt-to-EBITDA covenants and now has an accordion feature that provides 7G with the option to add an additional $300 million to the facility. The credit agreement and amending agreements for the credit facility are available on SEDAR at www.sedar.com.

Normal Course Issuer Bid (NCIB) update

With the initiation of the company's NCIB on November 5, 2018, 7G has purchased and cancelled 9.67 million shares or 2.7 percent of its issued and outstanding shares at an average price of $10.72 per share as of December 31, 2018. The company believes the purchase of its shares has created value for shareholders and will continue to evaluate opportunities to return capital to shareholders by allocating cash on hand and funds flow in excess of its capital investment plan to the NCIB program.

Investor Day

7G management will present a detailed discussion of its 2019 budget, along with updates on its strategy, operations and resources today, January 10, 2019.

Location:	Grand Lecture Theatre, Metropolitan Centre 333 4th Avenue SW, Calgary, Alberta
Registration:	8:30 am
Presentation:	9:00 am – 11:00 am
Webcast link:	http://services.choruscall.ca/links/7genenergy20190110.html
Investor Day Slide Deck:	www.7genergy.com

Seven Generations Energy

Seven Generations Energy is a low-supply cost energy producer dedicated to stakeholder service, responsible development and generating strong returns from its liquids-rich Kakwa River Project in northwest Alberta. 7G's corporate office is in Calgary, its operations headquarters is in Grande Prairie and its shares trade on the TSX under the symbol VII.

Further information on Seven Generations is available on the company's website: www.7genergy.com, or by contacting:

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Reader Advisory

Non-IFRS Financial Measures and Adjusted Funds Flow

This news release includes certain terms or performance measures commonly used in the oil and natural gas industry that are not defined under IFRS, including "cash return on invested capital" and "adjusted EBITDA". This disclosure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Such disclosures should be read in conjunction with the company's financial statements and the accompanying notes. Readers are cautioned that non-IFRS measures do not have any standardized meaning and should not be used to make comparisons between the company and other companies without also taking into account any differences in the way the calculations were prepared.

For additional information regarding calculations of "cash return on invested capital", please see "Advisories and Guidance – Non-IFRS financial measures" in Management's Discussion and Analysis dated October 30, 2018, for the three and nine months ended September 30, 2018 and 2017. The "cash return on invested capital" forecast provided in this news release was calculated by dividing forecast "adjusted EBITDA" by the forecast average gross carrying value of the Company's oil and natural gas assets. For the purposes of the calculation, the forecast average carrying value of the company's oil and natural gas assets, excludes forecast accumulated depletion and depreciation. Forecasted EBITDA is based on forecasted adjusted funds flow less forecasted interest expense and forecasted gross oil and natural gas assets are based on the company's currently anticipated capital investment profile.

For additional information regarding "adjusted funds flow", please see note 14 in the company's Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2018 and 2017. The "adjusted funds flow" forecast that is referenced in this news release has been calculated based upon the assumptions outlined under the heading "2019 Guidance and Outlook" above and the following commodity pricing assumptions: $50.00 US/bbl WTI, $3.00 US/MMbtu NYMEX/HH and 0.74 USD/CAD FX. NGLs as % of WTI: C3 35%, C4 50%, C5 – $4 CAD/bbl differential. AECO Basis US$1.75/MMbtu. Operating cost assumptions reflect recent actual cost trends with adjustments to address planned activity levels. Royalty rate assumptions were calculated using a price range of US$50-US$65/bbl WTI, net of credits and projected C* for new wells to be drilled in 2019. Royalty rate assumptions are net of expected gas cost allowance from investments in gas plants and gathering infrastructure. G&A cost assumptions reflect recent actuals and expectations for a larger staff count and information technology investments in 2019.

Forward-Looking Information Advisory

This news release contains certain forward-looking information and statements that involve various risks, uncertainties and other factors. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "should", "believe", "plans", and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: guidance and outlooks, including forecast adjusted funds flow, planned capital investment, capital allocation plans and philosophy, forecast cash return on invested capital, expected production, production profile, condensate yields and liquids yields, and forecast expenses; expectation that the 2019 capital budget will be funded from operations; maintained balance sheet strength; greater profitability expected when commodity prices and market conditions recover; expectation that planned investments will enhance the company's understanding of the Lower Montney resource and expand future growth capabilities; the number of wells planned in the Lower Montney in 2019; value enhancement and additional transportation capacity expected from infrastructure projects; multi-year drilling inventory expected in Nest 3 and potential for inventory expansion in that region; plans to maximize shareholder returns; expectation that production additions in the second half of 2019 will coincide with the timing of additional liquids egress solutions out of Western Canada, expected to further support local condensate demand and price dynamics; expectation that the planned 2019 production profile will moderate corporate decline rates, reduce maintenance capital and help drive meaningful free cash flow in 2020 and beyond; expectation that infrastructure investments will improve future capital efficiencies; expected improvement of condensate price realizations in the first quarter of 2019; continued evaluation of opportunities to return capital to shareholders by allocating adjusted funds flow in excess of the company's base capital plan to purchases under the NCIB.

With respect to forward-looking information contained in this news release, assumptions have been made regarding, among other things: future oil, NGLs and natural gas prices being consistent with current commodity price forecasts after factoring in quality adjustments at the company's points of sale; the company's continued ability to obtain qualified staff and equipment in a timely and cost-efficient manner; drilling and completion techniques to be utilized; drilling, completion, infrastructure and facility design concepts that have been successfully applied by the company elsewhere in its Kakwa River Project may be successfully applied to other properties within the Kakwa River Project; the consistency of the regulatory regime and framework governing royalties, taxes and environmental matters in the jurisdictions in which the company conducts its business; the company's ability to market production of oil, NGLs and natural gas successfully to customers; the company's future production levels and amount of future capital investment will be consistent with the company's current development plans and budget; the applicability of new technologies for recovery and production of the company's reserves and resources may improve capital and operational efficiencies in the future; the recoverability of the company's reserves and resources; sustained future capital investment by the company; future cash flows from production; the future sources of funding for the company's capital program; geological and engineering estimates in respect of the company's reserves and resources; the geography of the areas in which the company is conducting exploration and development activities, and the access, economic, regulatory and physical limitations to which the company may be subject from time to time; and the company's ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in the forward-looking information that is contained herein as a result of the risks and risk factors that are set forth in the company's Annual Information Form for the year ended December 31, 2017, dated March 13, 2018**,** which is available on SEDAR at www.sedar.com, including, but not limited to: volatility in market prices and demand for oil, NGLs and natural gas, and hedging activities related thereto; general economic, business and industry conditions; risks related to the exploration, development and production of oil and natural gas reserves and resources; negative public perception of oil sands development, oil and natural gas development and transportation, hydraulic fracturing and fossil fuels; actions by governmental authorities, including changes in legislation, regulation, royalties and taxation; the availability, cost or shortage of rigs, equipment, raw materials, supplies or qualified personnel; the absence or loss of key employees; uncertainty associated with estimates of oil, NGLs and natural gas reserves and resources; dependence upon compressors, gathering lines, pipelines and other facilities, certain of which the company does not control; operating hazards and uninsured risks; the risks of fires, floods and natural disasters; the concentration of the company's assets in the Kakwa River Project; unforeseen title defects; aboriginal claims; development and exploratory drilling efforts and well operations may not be profitable or achieve the targeted return; failure of properties acquired now or in the future to produce as projected and inability to determine reserve and resource potential, identify liabilities associated with acquired properties or obtain protection from sellers against such liabilities; changes in the application, interpretation and enforcement of applicable laws and regulations; actual results differing materially from management estimates and assumptions; extensive competition in the company's industry; third party credit risk; dependence upon a limited number of customers; terrorist attacks or armed conflict; cyber security risks, loss of information and computer systems; variations in foreign exchange rates and interest rates; sufficiency of insurance policies; potential for litigation; breach of agreements by counterparties and potential enforceability issues in contracts.

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

Notes Regarding Oil and Gas Metrics and Early Production
Seven Generations has adopted the standard of 6 Mcf:1 bbl when converting natural gas to boes. Condensate and other NGLs are converted to boes at a ratio of 1 bbl:1 bbl. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based roughly on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the company's sales point. Given the value ratio based on the current price of oil as compared to natural gas and NGLs are significantly different from the energy equivalency of 6 Mcf: 1 bbl and 1 bbl: 1 bbl, respectively, utilizing a conversion ratio at 6 Mcf: 1 bbl for natural gas and 1 bbl :1 bbl for NGLs may be misleading as an indication of value.
Early production rates described in this presentation are not necessarily indicative of longer-term performance or ultimate recovery.

Abbreviations

AECO	physical storage and trading hub for natural gas on the TransCanada Alberta transmission system
bbl	barrel
bbls	barrels
boe	barrels of oil equivalent
CAD	Canadian dollars
C3	propane
C4	butane
C5	pentanes plus
C*	the drilling and completion cost allowance applied under Alberta's Modernized Royalty Framework
d	day
EBITDA	earnings before interest, taxes, depreciation and amortization
G&A	general and administrative expense
HH	Henry Hub
IFRS	International Financial Reporting Standards
mboe	thousand barrels of oil equivalent
mbbl	thousands of barrels
Mcf	thousand cubic feet
mm	millions
MMbtu	million British thermal units
MMcf	million cubic feet
NCIB	normal course issuer bid
Nest 1	the "Nest 1" area shown in the map provided in the Corporate Presentation, which is available on the company's website at www.7genergy.com
Nest 2	the "Nest 2" area shown in the map provided in the Corporate Presentation, which is available on the company's website at www.7genergy.com
Nest 3	the "Nest 3" area shown in the map provided in the Corporate Presentation, which is available on the company's website at www.7genergy.com
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange

TSX	Toronto Stock Exchange
USD or US$	United States dollars
Wapiti	the "Wapiti" area shown in the map provided in the Corporate Presentation, which is available on the company's website at www.7genergy.com
WTI	West Texas Intermediate

Seven Generations Energy Ltd. is also referred to as **Seven Generations**, **Seven Generations Energy**, **7G, we, our and the company.**