SEVEN GENERATIONS
ENERGY

NEWS RELEASE TSX: VII

# Seven Generations continues robust growth in production and funds from operations in the second quarter of 2016

*Production rises 116% to exceed 117,000 boe/d*

*Funds from operations up 56% to more than $197 million*

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**CALGARY, August 4, 2016** – Seven Generations Energy Ltd. produced a record 117,353 barrels of oil equivalent per day (boe/d) in the second quarter of 2016, up 116 percent from the second quarter of 2015, and up 33 percent from the first quarter of the year. Second quarter condensate production increased 87 percent from the same quarter in 2015 to 38,803 boe/d.

"As we bring new wells and Super Pads on-stream, and apply a combination of innovative technologies, we are gaining a better understanding of the productive capacity and prolific potential of the Kakwa River resource. We have just completed the first full quarter employing the capacity of the Cutbank processing plant, which increased our field processing capacity to 510 million cubic feet per day (MMcf/d). This gives us the ability to continue our high rate of organic growth and ramp up liquids-rich natural gas sales into the U.S. Midwest market," said Marty Proctor, 7G's President and Chief Operating Officer.

Second quarter funds from operations continued to rise at a strong pace, surpassing $197 million, up 56 percent from the second quarter of 2015 due largely to significant production growth despite benchmark oil prices that were about 21 percent lower and natural gas prices that were down about 30 percent. Second quarter funds from operations included $27.4 million of prior-period royalty recoveries attributable to Gas Cost Allowance and a change to field condensate reporting.

**Completion innovations boosting initial production rates**

"Our well performance continues to improve resource recovery as we decrease the spacing between hydraulic fractures in the horizontal section of the well, pump more sand into each fracture and realize improved completions economics through the transition from nitrogen foam completions to slickwater. Our methodical testing of each innovation is lowering costs, boosting volumes of the liquids-rich natural gas we produce and creating competitive value for our stakeholders," said Glen Nevokshonoff, 7G's Senior Vice President, Operations.

**Preliminary tests show closer-spaced fractures improve early well life production rates**

Completion test results that double the intensity of hydraulic fractures are at an early stage, but initial indications are promising. For example, for most wells completed in 2015, 7G's standard spacing was about 110 metres between hydraulic fracture ports, or stages. When that intensity is doubled to about 55 metres between stages, results from the first 120 days of production on a series of test wells show similar production rates for each fracture regardless of spacing.

"We expect that over an extended period of time fractures, at any spacing, will start to compete with each other to drain the natural gas in the rock between the fractures. We expect that there are elements of acceleration of production as well as some incremental recovery associated with the closer fracture spacing. These tests are designed to help us understand the true value and incremental recovery that we might achieve from the pursuit of an optimal fracture spacing," Nevokshonoff said.

**Slickwater completions delivering strong production, saving capital, reducing emissions**

Seven Generations has recently transitioned from using primarily nitrogen foam completions to slickwater hydraulic fractures, which do not use nitrogen. Production results during the first 180 days from wells that compare the two methods indicate that slickwater completions result in the same or higher condensate production rates, while natural gas production rates are about the same. This does not mean total resource recovered over the life of the well will be higher, but slickwater fractures appear to yield better condensate-gas ratios in the early stages of the well and they cost significantly less to install. Initial estimates indicate that each stage of a slickwater completion costs about 25 percent less than when using nitrogen foam. In addition, slickwater completions substantially reduce carbon dioxide emissions by eliminating most of the flaring required to prepare the natural gas stream for production during nitrogen foam completions. This environmental benefit complements the economic advantage of slickwater completions.

**Capital investment on track, maintaining financial strength**

Capital investment for the second quarter was $219 million, down 38 percent from one year earlier and remains on track with annual guidance of $900 million to $950 million. At the end of the second quarter, 7G had $433 million of adjusted working capital. When 7G's $813 million revolving credit facility is combined with adjusted working capital, the company has about $1.2 billion of available funding. 7G plans to fund its 2016 capital program with cash on hand and funds from operations.

**Cash flow sustainability remains a core objective**

"We continue to target cash flow sustainability, meaning that we aim to stay on our growth trajectory while funding our annual capital investments with our funds from operations – commonly called cash flow. That target is in sight as we continue to grow production profitably, at a strong pace to fill the excess capacity in our completed natural gas processing plants and Super Pads. We also look forward to completing our previously announced major asset acquisition, which will significantly expand the land and resources of our Kakwa River Project. These lands border on our Nest lands and we are progressing through the required steps to complete the transaction, which we expect to close in August," said Pat Carlson, 7G's Chief Executive Officer.

**Major asset acquisition**

On July 6, 2016, 7G announced a transaction that will significantly expand its ownership in the prolific and low-supply-cost Montney Nest liquids-rich natural gas play, if the conditions contained in the purchase and sale agreement between 7G and Paramount Resources Ltd. (Paramount) are satisfied. Under the agreement, 7G would acquire about 30,000 barrels of oil equivalent (boe) of daily production (as estimated for the second quarter of 2016), 155 net sections of Montney land and 199 million boe of gross proved reserves (based on December 31, 2015 evaluations) for approximately $1.9 billion in total consideration consisting of cash, 7G shares and the assumption of a portion of Paramount's debt. The transaction has an effective date of June 1, 2016 and is subject to Paramount shareholder approval, approval under the Competition Act and other customary closing conditions.

"By adding these adjacent and early-life development lands, we expect to gain operational and investment synergies in our Kakwa River Project. This acquisition is expected to boost our Nest lands and gross proved reserves by 47 percent. It increases the expected multitude of ultimately recoverable resources where we can deploy our strategic thrust to expand markets for Canadian liquids-rich natural gas," Carlson said.

**Post-acquisition production and capital investment guidance**

Subject to the expected closing of the acquisition, 7G has revised its 2016 guidance for production to 120,000 to 125,000 boe/d and its planned capital investments to be between $1.05 billion to $1.10 billion, which includes production and capital investment in the acquired assets during the last four months of 2016.

**Proven capacity to grow competitively in grossly oversupplied North American market**
Seven Generations has demonstrated its ability to grow and thrive in North America's oversupplied natural gas market by delivering low-cost natural gas, condensate and natural gas liquids. 7G's firm transportation capacity, incrementally rising to 607 MMcf/d on Alliance Pipeline and TransCanada's Nova Gas Transmission Ltd. system between now and the end of 2018, provides a path for continued growth through late in the decade. However, given the scale of 7G's resources, continued profitable production growth beyond 2020 will likely require market expansion. In that pursuit, the company is searching for market expansion opportunities in gas-to-liquids conversion, electrical power generation, petrochemical manufacturing, as well as liquefied natural gas (LNG) and liquefied petroleum gas (LPG) export initiatives. Seven Generations is in a unique position to underpin market expansion with its very large inventory of low-supply-cost, liquids-rich natural gas reserves, which will be substantially increased if the acquisition of Paramount's adjacent Kakwa River assets is completed.

**Market expansion and integration initiatives gaining traction**
"In recent months, we have continued to expand and deepen our conversations with a variety of market integration proponents looking to connect our large resource base at Kakwa River with new markets. We are focused on generating long-term and sustainable value for our upstream assets, through the integrated energy chain, from the wellhead to the consumer market. Although the magnitude of our direct investment in midstream projects is expected to be modest, we believe our immense low-cost liquids-rich resources can play a very important role in the continued development of Canadian energy at home and in overseas markets," Proctor said.

## HIGHLIGHTS FOR THE QUARTER ENDED JUNE 30, 2016

- Robust production growth averaging 117,353 boe/d, up 116 percent from the second quarter of 2015, and up 33 percent from the first quarter of 2016. Liquids made up 59 percent of production, with a ratio of about 238 barrels (bbls) of liquids per MMcf of natural gas sales.

- Funds from operations were $197.6 million in the second quarter, up 56 per cent compared to the second quarter of 2015, despite a drop in benchmark oil and natural gas prices of about 21 percent and 30 percent respectively. Second quarter funds from operations included $27.4 million of prior-period royalty recoveries attributable to Gas Cost Allowance and a change to field condensate reporting.

- 7G increased production per share by 97 percent and funds from operations per share by 40 percent during the second quarter of 2016, compared to the second quarter of 2015. The company's weighted average diluted share count increased by about 10 percent in the past year largely due to the $300 million equity financing in February 2016.

- Second quarter capital investment was $219 million, down 38 percent compared to second quarter 2015 and consistent with planned 2016 capital investments of $900 million to $950 million.

- Seven Generations drilled ten wells and completed 21 wells, taking the number of producing Montney wells to 138. At the end of the second quarter, approximately 49 Nest wells were in various stages of construction between drilling and tie-in. This inventory of in-progress wells represents significant productive capacity that is planned to be brought on-stream throughout 2016.

## 2016 SECOND QUARTER FINANCIAL AND OPERATING RESULTS

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | % Change | **2016** | 2015 | % Change |
| **Operational Highlights** | | | | | | |
| **($ thousands, except per share and volume data)** | | | | | | |
| **Production** | | | | | | |
| Condensate (bbls/d) | **38,803** | 20,702 | 87 | **33,613** | 18,269 | 84 |
| NGLs (bbls/d) | **30,209** | 11,914 | 154 | **26,410** | 11,978 | 120 |
| Natural gas (MMcf/d) | **290** | 130 | 123 | **258** | 128 | 102 |
| **Total (boe/d)** | **117,353** | 54,219 | 116 | **102,939** | 51,509 | 100 |
| Liquids ratio | **59%** | 60% | (2) | **58%** | 59% | (2) |
| **Realized prices** | | | | | | |
| Condensate and oil ($/bbl) | **52.05** | 60.29 | (14) | **46.92** | 54.83 | (14) |
| NGLs ($/bbl) | **12.49** | 9.78 | 28 | **10.98** | 10.10 | 9 |
| Natural gas ($/Mcf) | **2.62** | 2.63 | - | **2.89** | 2.62 | 10 |
| Total ($/boe) | **26.91** | 31.45 | (14) | **25.37** | 28.29 | (10) |
| **OPERATING NETBACK [(1)] ($/boe)** | | | | | | |
| Liquids and natural gas revenues | **$ 26.91** | $ 31.45 | (14) | **$ 25.37** | $ 28.29 | (10) |
| Royalties [(2)] | **1.74** | (2.61) | (167) | **0.30** | (3.01) | (110) |
| Operating expenses | **(4.20)** | (4.77) | (12) | **(4.05)** | (4.83) | (16) |
| Transportation expenses | **(5.39)** | (2.00) | 170 | **(5.20)** | (2.45) | 112 |
| Netback prior to hedging | **19.06** | 22.07 | (14) | **16.42** | 18.00 | (9) |
| Realized hedging gain | **2.77** | 8.45 | (67) | **3.51** | 9.90 | (65) |
| Operating netback after hedging | **$ 21.83** | $ 30.52 | (28) | **$ 19.93** | $ 27.90 | (29) |
| General and administrative expenses per boe | **$ 0.93** | $ 1.04 | (11) | **$ 0.96** | $ 1.26 | (24) |
| **Selected financial information** | | | | | | |
| Liquids and natural gas revenue | **287,375** | 155,183 | 85 | **475,371** | 263,723 | 80 |
| Operating income [(1) (2)] | **56,022** | 28,485 | 97 | **65,332** | 52,483 | 24 |
| Per share - diluted | **0.19** | 0.11 | 73 | **0.23** | 0.19 | 21 |
| Net income (loss) for the period [(2)] | **(57,458)** | (21,950) | 162 | **80,991** | (104,648) | (177) |
| Per share - diluted | **(0.21)** | (0.09) | 133 | **0.28** | (0.42) | (167) |
| Funds from operations [(1) (2)] | **197,555** | 126,795 | 56 | **308,209** | 213,684 | 44 |
| Per share - diluted | **0.66** | 0.47 | 40 | **1.07** | 0.79 | 35 |
| Total capital investments | **219,315** | 354,310 | (38) | **486,449** | 722,710 | (33) |
| Adjusted working capital | **433,069** | 675,954 | (36) | **433,069** | 675,954 | (36) |
| Available funding [(1)] | **1,246,069** | 1,325,954 | (6) | **1,246,069** | 1,325,954 | (6) |
| Net debt [(1)] | **1,020,093** | 710,200 | 44 | **1,020,093** | 710,200 | 44 |
| Debt outstanding | **1,443,922** | 1,395,485 | 3 | **1,443,922** | 1,395,485 | 3 |
| Weighted average shares – basic | **278,413** | 248,456 | 12 | **270,804** | 247,174 | 10 |
| Weighted average shares – diluted | **297,776** | 270,399 | 10 | **287,905** | 270,338 | 6 |

(1) Operating netback, funds from operations, operating income, available funding and net debt are not defined under International Financial Reporting Standards (IFRS). See "Non-IFRS Financial Measures" in the Management's Discussion and Analysis for the three and six months ended June 30, 2016 and 2015.
(2) Includes $27.4 million ($20.0 million after tax) of prior period royalty adjustments.

## OPERATIONS

### Drilling days reduced by 13 percent and completions costs down 20 percent

Seven Generations drilled ten wells in the second quarter, on average 13 percent faster and at a 12 percent lower cost than in the second quarter of 2015. Wells averaged 2,685 metres of horizontal length, 40.5 days to drill and cost $4.6 million each. 7G ended the second quarter operating five drilling rigs, down from ten at the start of 2016. The company expects to run five to six rigs during the remainder of 2016. 7G completed 21 wells in the second quarter of 2016, each with an average of 4,870 tonnes of proppant, 30 stages, and costing $5.2 million, down 20 percent compared to one year earlier.

"We continue to capture incremental efficiencies by drilling wells faster and completing them at a lower cost, which remained below $10 million per well in the second quarter," Nevokshonoff said.

Second quarter operations were not without challenges. One of 7G's innovative approaches involves drilling wells in batches, which results in leaving some wells dormant for a period of time. The pressure integrity of the horizontal section of nine well liners was unexpectedly compromised when the liners were left submerged in brine water. Procedural and operational changes have been implemented to limit similar failures in the future. The company expects to re-drill the horizontal section of these wells at a cost of about $2 million per well. This is not expected to impact 7G's 2016 capital investment forecast. Despite the delay in bringing on production from these wells, production during the first half of 2016 is on track to meet annual guidance.

## DRILLING AND COMPLETIONS

| **Drilling** | **Q2 2016** | Q2 2015 |
|---|---|---|
| Net Hz Wells Rig Released | **10** | 17 |
| Average Measured Depth (m) | **5,592** | 5,920 |
| Average Horizontal Length (m) | **2,685** | 2,695 |
| Average Drilling Days per Well | **40.5** | 46.4 |
| Average Drilling Cost per Lateral Metre ($/m) | **1,950** | 1,908 |
| Average well cost ($MM) | **4.6** | 5.2 |

| **Completions** | **Q2 2016** | Q2 2015 |
|---|---|---|
| Net Wells Completed | **21** | 23 |
| Average Number of Stages per Well | **30** | 28 |
| Average Tonnes Pumped per Well | **4,870** | 4,200 |
| Average well cost ($MM) | **5.2** | 6.5 |

### 7G's ninth Super Pad to start up in Q3, then double capacity to become a Mega Pad

Seven Generations is taking the next step towards doubling the capacity of its highly-successful Super Pad drilling and production system. To date, Super Pads have been designed to produce 50 MMcf/d. 7G's ninth Super Pad will be built to operate initially at 70 MMcf/d, then expand to become the company's first Mega Pad – doubling the productive capacity of a Super Pad to 100 MMcf/d. Engineering and procurement of the second condensate stabilization train at the Karr plant is underway and field construction is expected to start in the third quarter. This project will increase the company's condensate stabilization processing capacity to 60,000 bbls/d and should improve the company's netbacks by better aligning condensate specifications with pipeline requirements.

### Financial update
Second quarter commodity prices again tracked lower than one year earlier, with benchmark oil and natural gas prices down about 21 percent and 30 percent respectively, quarter-over-quarter. Second quarter operating netbacks were $21.83 per boe after hedging, down 28 percent in the past year due to lower benchmark prices and the expiry of higher-priced hedges put in place before the commodity price fall. Higher production and continued efficiency gains lowered operating expenses by about 12 percent to $4.20 per boe, which helped offset the realized price declines.

### Managing market risk
Seven Generations employs financial hedges to partially protect funds from operations against commodity price volatility. Seven Generations' hedge targets include up to 65 percent of forecasted condensate and natural gas volumes (net of royalties) for the upcoming four quarters, up to 35 percent of forecasted volumes for the next four quarters after that and up to 20 percent for the four quarters beyond that period. Price targets are established at levels that are expected to provide a threshold rate of return on capital investment based on a combination of benchmark oil and natural gas prices, projected well performance and capital efficiencies.

## HEDGING

| 7G Commodity Price Hedge Position – June 30, 2016 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| **Liquids hedging** | | | | |
| WTI hedged (bbls/d)(1) | **14,000** | **12,250** | **11,250** | **3,000** |
| Average floor ($C/bbl) | **70.07** | **64.80** | **59.18** | **55.83** |
| Average ceiling ($C/bbl) | **80.13** | **77.21** | **73.41** | **73.30** |
| **Natural gas hedging** | | | | |
| Gas hedged (MMBtu/d) | **130,000** | **122,500** | **85,000** | **12,500** |
| Average Chicago Citygate swap ($US/MMBtu) | **3.19** | **3.09** | **2.87** | **2.96** |
| Average swap ($C/MMBtu) (2) | **4.01** | **3.98** | **3.83** | **3.82** |
| **Currency exchange hedging** | | | | |
| $US notional hedged (MM) | **76.25** | **138.11** | **89.01** | **13.36** |
| Average rate ($C/$US) | **1.2584** | **1.2881** | **1.3343** | **1.2911** |

(1) Includes 1,000 bbl/d of sold $40/bbl puts on 3-way collars for January 2017 - March 2017, 5,000 bbl/d for April 2017 - December 2017, 8,000 bbl/d for January 2018 - March 2019 and 4,000 bbl/d for April 2019 - June 2019

(2) Chicago Citygate natural gas price converted to C$/MMBtu at average C$/US$ hedge rate.

## OUTLOOK

### Growth potential continues to expand with planned Montney acquisition
"Our opportunities to continue delivering high-rate, profitable growth remain strong. We are achieving improved productive capacity with each well through innovations in drilling and completions. Add to that the development opportunities available if we complete our planned Montney asset acquisition, which is expected to increase the gross proved reserves of our Nest lands by close to 50 percent," Proctor said.

Subject to the planned completion of the Montney asset acquisition, Seven Generations has revised its 2016 capital investment to between $1.05 billion and $1.10 billion and production to average 120,000 to 125,000 boe/d. In 2016, 7G's liquids are expected to range between 55 and 60 percent of total production.

## CORPORATE

### Evolving leadership assignments
Seven Generations continues to advance its leadership succession and executive development. Four senior executives, Marty Proctor, Glen Nevokshonoff, Susan Targett and Chris Law are developing and demonstrating leadership skills and knowledge beyond their historic 7G assignments.

- Marty Proctor, President and Chief Operating Officer, is now focusing most of his time on business development, working with a team of employees to develop new markets for 7G's expanding natural gas resources.

- Glen Nevokshonoff has been promoted to Senior Vice President, Operations, and is providing day-to-day leadership for 7G's operations.

- Susan Targett's role as 7G's senior stakeholder liaison was recognized with her recent promotion to Senior Vice President. She continues to lead 7G's land group.

- Chris Law, Chief Financial Officer, continues to expand his leadership of 7G's strategic financial initiatives, having led successful efforts of the cross-disciplined team that negotiated the company's recent agreement to expand its Montney assets.

As part of 7G's continued leadership advancement program and succession plans, these four executives plan to attend executive development programs at one or more leading universities. Chief Executive Officer Pat Carlson is providing ongoing oversight of the process and is coaching individuals with the assistance of an internationally renowned leadership development firm.

Additionally, Brian Newmarch has been promoted to Vice President, Capital Markets with responsibility for investor relations, treasury and financial risk management. Kyle Brunner has been promoted to General Counsel, leading 7G's legal team.

**Stakeholder initiatives and relations showcased in Generations**
On May 4, 2016 7G published a magazine titled Generations – a sampling of stories that define the vital and human connections that 7G has with its stakeholders in Grande Prairie and beyond. Generations is available for review and download on the company's website: [7genergy.com](7genergy.com).

"Generations is a window on our stakeholders and our work with them. We invite you to review and download Generations from our website. We hope you will see how we strive to differentiate – distinguish our stakeholder service as we deliver ever increasing value to all," Carlson said.

**Conference Call**
7G management plans to hold a conference call to discuss results and address investor questions on Thursday, August 4, 2016 at 9:00 a.m. MT (11 a.m. ET).

**Participant Dial-In Numbers:**

| | |
|---|---|
| Operator Assisted Toll-Free | (877) 291-4570 |
| Local or International | (647) 788-4919 |
| Conference Call ID: | 36625264 |
| | |
| Encore Dial In: | (800) 585-8367 or (416) 621-4642 |
| Replay code: | 36625264 |
| Available: | August 4, 2016 – August 18, 2016 |

Event Link: http://www.gowebcasting.com/7686

**Seven Generations Energy**
Seven Generations is a low-supply-cost, high-growth Canadian natural gas developer generating long-life value from its liquids-rich Kakwa River Project, located about 100 kilometres south of its operations headquarters in Grande Prairie, Alberta. 7G's corporate headquarters are in Calgary 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](http://www.7genergy.com), or by contacting**:

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## Non-IFRS Financial Measures

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 "funds from operations", "operating income", "operating netback", "available funding", "net debt" and "adjusted working capital". The data presented are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS measures should be read in conjunction with the company's condensed interim consolidated financial statements and accompanying notes for the period ended June 30, 2016.

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

For more information regarding "funds from operations", "operating income", "operating netback", "available funding", "net debt" and "adjusted working capital", see "Non-IFRS Financial Measures" in the company's Management's Discussion and Analysis for the three months and six months ended June 30, 2016 filed on SEDAR at www.sedar.com.

***Reader 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: the resource potential and productive capacity of the Kakwa River Project; expected continued high rate of profitable growth; expected production and production growth; improvement of well economics with decreased hydraulic fracture spacing; increased condensate and natural gas production and cost savings from using a 'slickwater' well completions technique; planned capital investment in 2016; sources of funding for the company's 2016 capital program; expectation that annual funds from operations will begin to outpace capital investments; expected closing of the Acquisition and the timing thereof; the expansion of the company's land base following the closing of the previously announced acquisition of Montney assets (the Assets) from Paramount (the Acquisition); synergies expected upon the completion of the Acquisition; the reserves attributable to the Assets to be acquired; expected increase to the company's proved reserves following the completion of the Acquisition; the expected magnitude of the ultimately recoverable resources following the completion of the Acquisition; the potential expansion of markets for Canadian liquids rich natural gas; expected transportation and processing capacity; expected midstream investments to be made by the company; expected number of wells to be drilled and brought on stream in 2016; expected number of drilling rigs to be engaged in 2016; expected completions techniques to be utilized; expected innovation and improvements in productive capacity; the construction of a ninth Super Pad and the planned processing capacity of that Super Pad initially and the planned expansion thereof; ability to double the processing capacity of the newly designed Super Pads; the construction of a second condensate stabilization train at the company's Karr plant and the condensate processing capacity and improved netbacks to be realized by the company once construction is completed; expected impact on the 2016 capital investment forecast and production guidance due to the pressure integrity compromise on the well liners; hedging targets; expectation that hedging will provide certain threshold rates of return; expected liquids yields; and the ability to generate long life value from the Kakwa River Project.

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

Actual results could differ materially from those anticipated in this forward-looking information as a result of the possible failure of the company to realize the anticipated benefits of the Acquisition or the inability to complete the Acquisition and the risks and risk factors that are described in the company's annual information form dated March 8, 2016 for the year ended December 31, 2015 (the AIF) and the Short Form Prospectus dated July 19, 2016, which are available on SEDAR at www.sedar.com, including, but not limited to: volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; general economic, business and industry conditions; variance of the company's actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; risks related to the exploration, development and production of oil and natural gas reserves and resources; negative public perception of oil sands development, oil and natural gas development and transportation, hydraulic fracturing and fossil fuels; actions by governmental authorities, including changes in government regulation, royalties and taxation or the enforcement thereof; the rescission, or amendment to the conditions of, groundwater licenses of the company; management of the company's growth; the ability to successfully identify and make attractive acquisitions, joint ventures or investments, or successfully integrate future acquisitions or businesses; the availability, cost or shortage of rigs, equipment, raw materials, supplies or qualified personnel; the absence or loss of key employees; uncertainty associated with estimates of oil, NGLs and natural gas reserves and resources and the variance of such estimates from actual future production; dependence upon compressors, gathering lines, pipelines and other facilities, certain of which the company does not control; the ability to satisfy obligations under the company's firm commitment transportation arrangements; the uncertainties related to the company's identified drilling locations; operating hazards and uninsured risks; the possibility that company's drilling activities may encounter sour gas; execution of the company's business plan; failure to acquire or develop replacement reserves; the concentration of the company's assets in the Kakwa River Project area; unforeseen title defects; Aboriginal claims; failure to accurately estimate abandonment and reclamation costs; development and exploratory drilling efforts and well operations may not be profitable or achieve the targeted return; dependence on employees and contractors; third-party claims regarding the company's right to use technology and equipment; expiry of certain leases for undeveloped leasehold acreage in the near future; potential conflicts of interests; actual results differing materially from management estimates and assumptions; seasonality of the company's activities and the Canadian oil and gas industry; weather related risks, fires and natural disasters; extensive competition in the company's industry; changes in the company's credit ratings; dependence upon a limited number of customers; terrorist attacks or armed conflict; loss of information and computer systems; security deposits may be required under provincial liability management programs; reassessment by taxing authorities of the company's prior transactions and filings; variations in foreign exchange rates and interest rates; third-party credit risk including risk associated with counterparties in risk management activities related to commodity prices and foreign exchange rates; sufficiency of insurance policies; litigation; sufficiency of internal controls; third-party breach of agreements or failure of counterparties to meet their commitments; impact of expansion into new activities on risk exposure; risks related to the company's senior unsecured notes and other indebtedness, including potential inability to comply with the covenants in the credit agreement related to the company's credit facilities and/or the covenants in the indentures in respect of the senior secured notes.

The references to reserves that are contained herein are based upon evaluations that were conducted by the company's independent qualified independent reserves evaluator, McDaniel & Associates Consultants Ltd. (McDaniel), effective as at December 31, 2015. Estimates of the company's reserves before the completion of the Acquisition are based upon the reports that were prepared by McDaniel evaluating the company's oil, natural gas and NGL reserves, dated March 7, 2016. Estimates of the reserves that are attributable to the Assets to be acquired from Paramount upon the satisfaction of the closing conditions that are contained in the purchase and sale agreement between Seven Generations and Paramount are based upon the report dated July 5, 2016 that was prepared by McDaniel evaluating the oil, natural gas and NGL reserves attributable to the Assets, as at December 31, 2015. The estimates of reserves are estimates only and there is no guarantee that the estimated reserves will be recovered. Both evaluations were prepared in compliance with the standards set out in the National Instrument 51-101 of the Canadian Securities Administrators and the Canadian Oil and Gas Evaluation Handbook. Actual reserves may be greater than or less than the estimates and the differences may be material. There is no assurance that the forecast price and cost assumptions made by McDaniel in evaluating the reserves of the company and the Assets will be attained and variances could be material. For important additional information regarding the independent reserves evaluations that were conducted by McDaniel, please refer to the company's AIF and the company's material change report dated July 12, 2016, which are available on the SEDAR website at www.sedar.com.

***Definitions and abbreviations***

| | |
|---|---|
| **bbl** | barrel |
| **bbls** | barrels |
| **boe**[(1)] | barrels of oil equivalent |
| **d** | day |
| **hz** | horizontal |
| **IFRS** | International Financial Reporting Standards |
| **LNG** | liquefied natural gas |
| **LPG** | liquefied petroleum gas or propane |
| **m** | metres |
| **Mcf** | thousand cubic feet |
| **MM** | millions |
| **MMBtu** | million British thermal units |
| **MMcf** | million cubic feet |
| **Nest** | the primary development block of the Kakwa River Project. |

| | |
|---|---|
| **Nest 2** | the higher return prospects within the Nest |
| **NGLs** | natural gas liquids |
| **reserves** | estimated quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed |
| **proved reserves** | those reserves the can be estimated with a high degree of certainty to be recoverable. It is unlikely that the actual remaining quantities recovered will exceed the estimated proved reserves. |
| **Super Pads** | the decentralized processing plants that separate field condensate and natural gas |
| **TSX** | Toronto Stock Exchange |
| **WTI** | West Texas Intermediate |
| **$C** | Canadian dollars |
| **$MM** | millions of dollars |
| **$US** | United States dollars |

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

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