NUVISTA ENERGY LTD.

Condensed Consolidated Statements of Financial Position
(unaudited)

($Cdn thousands)	**September 30, 2014**	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	**$ -**	$ 2,488
Accounts receivable and prepaid expenses	**35,046**	29,428
Assets held for sale (note 4,5)	**25,785**	-
	60,831	31,916
Commodity derivative assets (note 11)	**1,134**	-
Note receivable	**5,289**	5,000
Exploration and evaluation assets (note 4)	**73,718**	85,754
Property, plant and equipment (note 5)	**940,272**	779,642
Deferred tax assets	**-**	3,399
Total assets	**$1,081,244**	$905,711
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 52,206**	$ 79,411
Commodity derivative liabilities (note 11)	**3,829**	2,516
Liabilities associated with assets held for sale (note 5,7)	**26,485**	-
	82,520	81,927
Long-term debt (note 6)	**169,758**	-
Other liabilities	**4,444**	5,409
Commodity derivative liabilities (note 11)	**-**	4,305
Asset retirement obligations (note 7)	**97,554**	106,275
Deferred tax liabilities	**568**	-
	354,844	197,916
Shareholders' equity		
Share capital (note 8)	**1,025,694**	991,489
Contributed surplus	**40,410**	39,607
Deficit	**(339,704)**	(323,301)
	726,400	707,795
Total liabilities and shareholders' equity	**$1,081,244**	$905,711

Subsequent event (notes 5, 6 and 11)
Commitments (note 12)

See accompanying notes to condensed interim consolidated financial statements.

NUVISTA ENERGY LTD.

Condensed Consolidated Statements of Loss and Comprehensive Loss
(unaudited)

($Cdn thousands, except per share amounts)	Three months ended September 30, **2014**	Three months ended September 30, 2013	Nine months ended September 30, **2014**	Nine months ended September 30, 2013
Revenues				
Oil and natural gas	**$ 66,426**	$ 60,420	**$187,057**	$ 156,326
Royalties	**(5,551)**	(5,539)	**(17,737)**	(15,501)
	60,875	54,881	**169,320**	140,825
Realized loss on commodity derivatives (note 11)	**(4,007)**	(3,423)	**(12,826)**	(5,501)
Unrealized gain (loss) on commodity derivatives (note 11)	**12,185**	162	**4,126**	(2,658)
	69,053	51,620	**160,620**	132,666
Expenses				
Operating	**19,483**	19,391	**52,042**	55,504
Transportation	**2,393**	2,609	**5,600**	5,094
General and administrative	**5,707**	4,316	**16,083**	14,575
Share-based compensation (note 10)	**1,106**	1,877	**8,170**	6,737
Depletion, depreciation, amortization and impairment (note 5)	**21,402**	22,930	**76,755**	62,738
Exploration and evaluation (note 4)	**4,070**	1,434	**9,086**	3,266
(Gain) loss on property dispositions (note 5)	**10,042**	-	**4,072**	(5,528)
Financing charges	**2,148**	2,138	**6,011**	5,814
	66,351	54,695	**177,819**	148,200
Earnings (loss) before taxes	**2,702**	(3,075)	**(17,199)**	(15,534)
Deferred income tax expense (benefit)	**2,910**	(780)	**(796)**	(1,795)
Net loss and comprehensive loss	**$ (208)**	$ (2,295)	**$(16,403)**	$(13,739)
Net loss per share (note 9)				
Basic	**$ -**	$ (0.02)	**$ (0.12)**	$ (0.12)
Diluted	**$ -**	$ (0.02)	**$ (0.12)**	$ (0.12)

See accompanying notes to condensed interim consolidated financial statements.

NUVISTA ENERGY LTD.

Condensed Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

($Cdn thousands) **Nine months ended September 30,**	**2014**	2013
Share capital (note 8)		
Balance, January 1	**$ 991,489**	$ 882,831
Issued for cash on offering of flow-through common shares	**25,731**	-
Issued for cash on exercise of stock options	**6,800**	533
Contributed surplus transferred on exercise of stock options	**1,878**	181
Conversion of restricted share awards	**703**	81
Cancellation of common shares	**(779)**	-
Share issue costs, net of deferred tax benefit of $0.04 million (2013 – $0.03 million)	**(128)**	(86)
Balance, end of period	**$1,025,694**	$ 883,540
Contributed surplus		
Balance, January 1	**$ 39,607**	$ 35,387
Share-based compensation	**2,605**	3,573
Cancellation of common shares	**779**	
Transfer to share capital on exercise of stock options	**(1,878)**	(181)
Conversion of restricted share awards	**(703)**	(81)
Balance, end of period	**$ 40,410**	$ 38,698
Deficit		
Balance, January 1	**$ (323,301)**	$(262,157)
Net loss	**(16,403)**	(13,739)
Balance, end of period	**$ (339,704)**	$(275,896)
Total shareholders' equity	**$ 726,400**	$ 646,342

See accompanying notes to condensed interim consolidated financial statements.

NUVISTA ENERGY LTD.

Condensed Consolidated Statements of Cash Flows
(unaudited)

($Cdn thousands)	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Cash provided by (used in)				
Operating activities				
Net loss	**$ (208)**	$ (2,295)	**$ (16,403)**	$ (13,739)
Items not requiring cash from operations:				
Depletion, depreciation, amortization and impairment	**21,402**	22,930	**76,755**	62,738
Exploration and evaluation	**4,070**	1,434	**9,086**	3,266
(Gain) loss on property dispositions	**10,042**	-	**4,072**	(5,528)
Share-based compensation	**708**	1,072	**2,439**	3,462
Unrealized (gain) loss on commodity derivatives	**(12,185)**	(162)	**(4,126)**	2,658
Deferred income tax expense (benefit)	**2,910**	(780)	**(796)**	(1,795)
Accretion	**587**	962	**2,245**	2,711
Asset retirement expenditures	**(1,282)**	(1,554)	**(6,124)**	(7,782)
Change in non-cash working capital	**(7,588)**	17,038	**(12,270)**	7,121
	18,456	38,645	**54,878**	53,112
Financing activities				
Issue of share capital, net of share issue costs	**30,656**	87	**35,995**	418
Increase in long-term debt	**11,375**	3,502	**169,758**	79,497
	42,031	3,589	**205,753**	79,915
Investing activities				
Property, plant and equipment expenditures	**(51,327)**	(42,776)	**(231,818)**	(139,133)
Exploration and evaluation expenditures	**(4,505)**	(1,850)	**(12,422)**	(5,245)
Property acquisitions	**(5,351)**	(43)	**(10,162)**	(2,183)
Proceeds on property dispositions	**3,620**	-	**12,173**	12,392
Change in non-cash working capital	**(2,924)**	2,435	**(20,890)**	1,142
	(60,487)	(42,234)	**(263,119)**	(133,027)
Change in cash and cash equivalents	**-**	-	**(2,488)**	-
Cash and cash equivalents, January 1	**-**	-	**2,488**	-
Cash and cash equivalents, end of period	**$ -**	**$ -**	**$ -**	**$ -**
Cash interest paid	**$ 1,639**	$ 1,096	**$ 3,694**	$ 3,036

See accompanying notes to condensed interim consolidated financial statements.

Three and nine months ended September 30, 2014 with comparative figures for 2013. All tabular amounts are in thousands of Canadian dollars, except share and per share amounts, unless otherwise stated.

1. Corporate information

NuVista Energy Ltd. ("NuVista" or the "Company") is a publicly traded company incorporated under the laws of Alberta. The Company is an oil and natural gas company actively engaged in the exploration for and the development and production of oil and natural gas reserves.

The address of the Company's head office is 3500, 700 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 2W2.

2. Basis of preparation

These condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". These financial statements have been prepared following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended December 31, 2013, except as discussed in note 3. These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on October 30, 2014.

3. New accounting policies

Changes in accounting policies

IFRS Interpretations Committee ("IFRIC") 21, "Levies" is effective January 1, 2014. It clarifies the recognition requirements concerning a liability to pay a levy imposed by a government, other than an income tax. The interpretation clarifies that the obligating event which gives rise to a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. The adoption of this standard does not have a material impact on the Company's financial statements.

IAS 32, "Financial Instruments: Presentation" was amended to provide further criteria on the legal right and intention to offset financial assets and financial liabilities. The Company has adopted the amended IAS 32 in its financial statements for the annual period beginning January 1, 2014. The adoption of this standard does not have any impact on the Company's financial statements.

Future accounting changes

In July 2014, the IASB issued IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial asset and liabilities with a single model that has only two classification categories: amortized cost and fair value. As of January 1, 2018, the Company will be required to adopt the standard. The Company is evaluating the impact this standard may have the financial statements.

4. Exploration and evaluation assets

	September 30, 2014	December 31, 2013
Balance, January 1	**$85,754**	$113,164
Additions	**12,422**	6,815
Acquisitions	**5,347**	4,852
Dispositions	**(21)**	(16,250)
Capitalized share-based compensation	**420**	324
Transfers to property, plant and equipment	**(18,444)**	(17,552)
Expiries (exploration and evaluation expense)	**(9,086)**	(5,599)
Assets reclassified as held for sale (note 5)	**(2,674)**	-
Balance, end of period	**$73,718**	$ 85,754

5. Property, plant and equipment

	September 30, 2014	December 31, 2013
Cost		
Balance, January 1	**$1,320,834**	$1,361,885
Additions	**231,818**	212,722
Acquisitions	**4,815**	2,183
Dispositions	**(30,466)**	(273,983)
Change in asset retirement obligations (note 7)	**22,786**	475
Transfers from exploration and evaluation assets	**18,444**	17,552
Assets reclassified as held for sale	**(98,610)**	-
Balance, end of period	**$1,469,621**	$1,320,834

	September 30, 2014	December 31, 2013
Accumulated depletion, depreciation, amortization and impairment		
Balance, January 1	**$541,192**	$632,706
Depletion and depreciation expense	**61,004**	82,995
Dispositions	**(13,099)**	(168,073)
Impairments (reversals)	**15,751**	(6,436)
Accumulated depletion reclassified as assets held for sale	**(75,499)**	-
Balance, end of period	**$529,349**	$541,192

	September 30, 2014	December 31, 2013
Carrying amounts		
Balance, January 1	**$779,642**	$729,179
Balance, end of period	**$940,272**	$779,642

In August 2014, the Company disposed of certain non-core oil and gas properties in Pembina, Alberta for gross proceeds of $3.6 million. A loss on disposal of $10.0 million was recorded in net earnings in the period. At September 30, 2014, there were no impairment indicators upon review of the Company's cash generating units ("CGUs").

Subsequent to September 30, 2014, the Company signed two non-core asset sales agreements including its non-core Northeast British Columbia natural gas and Wapiti Cardium assets. These transactions are expected to close in the fourth quarter of 2014. The assets are currently producing approximately 1,400 Boe/d and have been sold for gross cash proceeds of $49.0 million plus 3.5 net sections of Wapiti Montney undeveloped land rights.

During the three months ended June 30, 2014, the Company disposed of certain non-core oil and gas properties in Pine Creek, Alberta for gross proceeds of $8.7 million. A gain on disposal of $6.0 million was recorded in net earnings in the period.

In June 2014, the Company intended to dispose of certain oil and natural gas properties in Northwest Alberta held within the Company's North Gas CGU and Oil CGU. At June 30, 2014 these properties were classified as assets held for sale as it was highly probable that their carrying value would be received through a sales transaction rather than through continuing use. The cash proceeds, before closing adjustments, are expected to be $1.0 million. The Company recorded impairment loss on assets held for sale of $15.8 million which has been included as depletion, depreciation, amortization and impairment expense in net earnings. The carrying value of these assets, after impairment, was classified as "assets held for sale" and the associated liabilities of $26.5 million have been reclassified to current liabilities. The Company continues to work towards the dispositions of these assets and expects the transaction to close within one year.

At June 30, 2014, certain assets in the North Gas CGU and Oil CGU were transferred to assets held for sale. An impairment test was performed, however, did not result in an impairment charge for those CGUs. The recoverable amount was estimated using a value in use calculation based on expected future cash flows generated from proved and probable reserves using a pre-tax discount rate of 10% to 12%, based on internal reserves report. The following benchmark reference prices were used:

2014 Benchmark reference price forecasts

	2015	2016	2017	2018	2019	2020	2021	2022	2023	Thereafter
WTI (US$/Bbl)(1)	97.50	97.50	97.50	97.50	97.50	98.54	100.51	102.52	104.57	+2%/yr
AECO (Cdn$/MMbtu)(1)	4.50	4.75	5.00	5.25	5.50	5.63	5.74	5.85	5.97	+2%/yr

(1) Price forecast effective July 1, 2014.

Subsequent to the June 30, 2014 impairment test, the carrying amount of the property, plant and equipment was transferred to assets held for sale.

6. Long-term debt

At September 30, 2014 the Company had a $240 million extendible revolving term credit facility available from a syndicate of Canadian chartered banks. At December 31, 2013, the Company had a $240 million credit facility with a maximum borrowing amount of $220 million. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. The credit facility is secured by a first floating charge debenture, general assignment of book debts and the Company's oil and natural gas properties and equipment. The credit facility has a 364-day revolving period and is subject to an annual review by the lenders, at which time a lender can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a review of the maximum borrowing amount occurs semi-annually on or before October 31 and April 30. The Company completed the semi-annual review of its borrowing base in October 2014 with its lenders and the lenders approved a revolving extendible credit facility with a maximum borrowing base of $300 million. During the term period, no principal payments would be required until a year after the revolving period matures or April 27, 2015. As at September 30, 2014, the Company had drawn $169.8 million (December 31, 2013 – $nil).

7. Asset retirement obligations

The Company's asset retirement obligations are based on estimated costs to reclaim and abandon ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. At September 30, 2014, the estimated total undiscounted amount of cash flows required to settle the asset retirement obligations is $150.7 million after dispositions (December 31, 2013 – $179.1 million), which is estimated to be incurred over the next 51 years. A risk-free rate of 2.7% (December 31, 2013 – 3.2%) and an inflation rate of 2% (December 31, 2013 – 2%) were used to calculate the net present value of the asset retirement obligations. The increase in estimates was primarily due to our annual update of costs estimates and a decrease in the risk-free rate. A reconciliation of the asset retirement obligations is provided below:

	September 30, 2014	December 31, 2013
Balance, January 1	**$106,275**	$147,759
Accretion expense	**2,245**	3,776
Liabilities incurred	**1,782**	1,288
Liabilities disposed	**(1,143)**	(36,926)
Change in estimates and discount rate	**21,004**	(813)
Liabilities settled	**(6,124)**	(8,809)
Reclassified as liabilities associated with assets held for sale	**(26,485)**	-
Balance, end of period	**$ 97,554**	$106,275

8. Share capital

At September 30, 2014, the Company was authorized to issue an unlimited number of voting Common Shares and 1,200,000 non-voting Class B Performance Shares (none of which have been issued).

Common shares

	September 30, 2014		December 31, 2013	
	Number	**Amount**	Number	Amount
Balance, January 1	**134,991,488**	**$ 991,489**	118,618,056	$882,831
Issued for cash on offering of common shares	**-**	**-**	11,000,000	78,100
Issued for cash on offering of flow-through common shares[(1)]	**2,360,655**	**25,731**	5,129,000	33,545
Issued for cash on exercise of stock options	**909,795**	**6,800**	135,328	688
Contributed surplus transferred on exercise of stock options	**-**	**1,878**	-	236
Conversion of restricted share awards	**164,227**	**703**	109,104	364
Cancellation of shares	**(60,338)**	**(779)**		
Share issue costs, net of deferred tax benefit of $0.04 million (2013 – $1.4 million)	**-**	**(128)**	-	(4,275)
Balance, end of period	**138,365,827**	**$1,025,694**	134,991,488	$991,489

(1) Net of implied premium of $3.6 million in 2014 and $6.1 million in 2013 on flow-through share price compared to trading price at announcement of equity issuance.

In September 2014, 60,338 common shares were cancelled in connection with the Plan of Arrangement involving Rider Resources Ltd. which was completed in March 2008.

In September 2014, pursuant to a private placement, the Company issued 2.4 million common shares on a flow-through basis in respect of Canadian exploration expenses ("CEE") and Canadian Development expenses ("CDE") at a price of $13.19 and $11.99 per share respectively for gross proceeds of $29.4 million. The implied premium on the flow-through common shares was determined to be $3.6 million on the date of issue and was recorded as other liabilities. Under the terms of the flow-through share agreements, the Company is committed to spend approximately $17.7 million on qualifying CDE prior to December 31, 2014 and $11.7 million on qualifying CEE prior to December 31, 2015. As at September 30, 2014, the Company had spent $8.9 million leaving $8.8 million to be spent on the qualifying CDE prior to December 31, 2014 and $11.7 million on qualifying CEE prior to December 31, 2015.

In November 2013, pursuant to a public offering, the Company issued 11.0 million common shares at $7.10 per share for gross proceeds of $78.1 million.

In October 2013, pursuant to a public offering, the Company issued 3.2 million common shares on a flow-through basis in respect of CEE at a price of $8.00 per share for gross proceeds of $25.6 million. Concurrent with the public offering, the Company also completed a private offering of 0.254 million common shares on a flow-through basis in respect of CEE expenses at a price of $8.00 per share and 1.675 million common shares on a flow-through basis in respect of CDE at a price of $7.20 per share for gross proceeds of $14.1 million. The implied premium on the flow-through common shares was determined to be $6.1 million on the date of issue and was recorded as other liabilities. Under the terms of the flow-through share agreements, the Company was committed to spend approximately $12.1 million on qualifying CDE prior to December 31, 2013 and $27.6 million on qualifying CEE prior to December 31, 2014. As at December 31, 2013, the Company had fully spent the qualifying CDE amount. As at September 30, 2014, the Company had spent $23.0 million leaving $4.6 million to be spent on the qualifying CEE prior to December 31, 2014.

9. Earnings per share

The following table summarizes the weighted average common shares used in calculating earnings per share:

	Three months ended September 30		Nine months ended September 30	
(thousands of shares)	**2014**	2013	**2014**	2013
Weighted average common shares outstanding				
Basic	**136,643**	118,727	**135,796**	118,670
Diluted	**136,643**	118,727	**135,796**	118,670

For the three and nine months ended September 30, 2014, all stock options (September 30, 2013 – all) and all restricted share awards (September 30, 2013 – all) were excluded from the calculation of diluted earnings per share as these options and awards were anti-dilutive.

10. Share-based compensation

Stock options

The Company has established a stock option plan whereby officers, directors and employees may be granted options to purchase common shares. Options granted prior to December 2008 vest at the rate of 25% per year and expire two years from the vesting date. Options subsequently granted vest at the rate of 1/3 per year and expire 2.5 years after the vesting date. The total stock options outstanding plus the Class B Performance Shares cannot exceed 10% of the outstanding common shares.

The summary of stock option transactions is as follows:

	September 30, 2014		December 31, 2013	
	Number of options	**Weighted Average exercise price**	Number of options	Weighted Average exercise price
Balance, January 1	**7,113,345**	**$ 7.36**	6,917,504	$ 7.93
Granted	**821,440**	**10.50**	1,492,085	7.36
Exercised	**(909,795)**	**7.47**	(135,328)	5.09
Forfeited	**(561,816)**	**8.26**	(230,568)	6.80
Expired	**(298,376)**	**14.13**	(930,348)	12.09
Balance, end of period	**6,164,798**	**$ 7.35**	7,113,345	$ 7.36
Weighted average share price on date of exercise	**909,795**	**$10.19**	135,328	$ 7.43

The following table summarizes stock options outstanding and exercisable under the plan at September 30, 2014:

	Options outstanding			Options exercisable	
Range of exercise price	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$2.90 to $4.99	1,396,355	2.2	$ 4.47	915,793	$ 4.48
$5.00 to $9.99	3,595,138	2.4	7.31	1,822,439	7.91
$10.00 to $14.00	1,173,305	2.5	10.88	541,420	10.96
$2.90 to $14.00	6,164,798	2.4	$ 7.35	3,279,652	$ 7.46

The Company uses the fair value based method for the determination of the share-based compensation costs. The fair value of each option granted during the year was estimated on the date of grant using the Black-Scholes option pricing model.

Restricted stock units

The Company has a Restricted Stock Unit ("RSU") incentive plan for employees and officers. Each RSU entitles participants to receive cash equal to the trading price of the equivalent number of shares of the Company. All RSUs granted vest and become payable within three years after the date the RSUs are issued.

The compensation expense was calculated using the fair value method based on the trading price of the Company's shares at the end of each reporting year. The following table summarizes the change in the number of RSUs:

	September 30, 2014	December 31, 2013
Balance, January 1	**1,206,327**	1,178,401
Settled	**(448,734)**	(296,689)
Granted	**168,898**	353,036
Forfeited	**(36,004)**	(28,421)
Balance, end of period	**890,487**	1,206,327

The following table summarizes the change in compensation liability relating to the RSUs:

	September 30, 2014	December 31, 2013
Balance, January 1	**$ 4,172**	$ 1,488
Change in accrued compensation liabilities	**1,632**	2,684
Balance, end of period	**$ 5,804**	$ 4,172
Compensation liabilities – current (included in accounts payable and accrued liabilities)	**$ 5,036**	$ 3,610
Compensation liabilities – non-current	**$ 768**	$ 562

Restricted share awards

The Restricted Share Award ("RSA") incentive plan is for employees and officers which entitles them to receive one common share for each RSA granted upon vesting. The RSAs will vest within three years from the date of grant.

The fair value of RSAs is determined based on the weighted average trading price of the five days preceding the grant date. This fair value is recognized as share-based compensation expense over the vesting period with a corresponding increase to contributed surplus. The amount of the compensation expense is reduced by an estimated forfeiture rate determined at the date of the grant and updated each period. Upon vesting of the RSAs and settlement in common shares, the previously recognized value in contributed surplus will be recorded as an increase to share capital.

The following table summarizes the change in the number of RSAs:

	September 30, 2014	December 31, 2013
Balance, January 1	**181,048**	291,230
Settled	**(164,227)**	(109,104)
Granted	**-**	-
Forfeited	**(2,000)**	(1,078)
Balance, end of period	**14,821**	181,048

The following table summarizes the share-based compensation costs relating to stock options, RSUs and RSAs:

	Nine months ended September 30, 2014				Nine months ended September 30, 2013			
	Option	**RSU**	**RSA**	**Total**	Option	RSU	RSA	Total
Share-based compensation	**$ 2,271**	**$ 1,380**	**$ 168**	**$ 3,819**	$2,997	$ 1,562	$ 465	$ 5,024
RSU cash paid	**-**	**4,351**	**-**	**4,351**	-	1,713	-	1,713
Total	**$ 2,271**	**$ 5,731**	**$ 168**	**$ 8,170**	$2,997	$ 3,275	$ 465	$ 6,737
Capitalized share-based compensation	**$ 166**	**$ 576**	**$ -**	**$ 742**	$ 102	$ 136	$ 9	$ 247

11. Risk management activities

(a) Financial instruments

The Company's financial instruments recognized on the consolidated statement of financial position consists of cash and cash equivalents, accounts receivable and prepaids, note receivable, commodity derivative contracts, accounts payable and accrued liabilities, compensation liability and long-term debt.

The carrying value of the long-term debt approximates its fair value as it bears interest at market rates. Except for the commodity derivative contracts and compensation liability, which are recorded at fair value, carrying values reflect the current fair value of the Company's financial instruments due to their short-term maturities. The estimated fair values of recognized financial instruments have been determined based on quoted market prices when available, or third-party models and valuation methodologies that use observable market data.

The Company classifies fair value measurements according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's cash and cash equivalents are classified as Level 1 and commodity derivative contracts as Level 2. The Company uses third party models and valuation methodologies to determine the fair value of commodity derivative contracts. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

(b) Financial assets and financial liabilities subject to offsetting

The following is a summary of the Company's financial assets and financial liabilities that are subject to offsetting:

	September 30, 2014			December 31, 2013		
	Gross financial assets	**Gross financial (liabilities)**	**Net financial assets (liabilities)**	Gross financial assets	Gross financial (liabilities)	Net financial (liabilities)
Current liabilities	**$ 329**	**$ (4,158)**	**$ (3,829)**	$ 555	$ (3,071)	$ (2,516)
Long-term	**1,173**	**(39)**	**1,134**	-	(4,305)	(4,305)
Net position	**$ 1,502**	**$ (4,197)**	**$ (2,695)**	$ 555	$ (7,376)	$ (6,821)

(c) Risk management contracts

The following is a summary of financial instruments outstanding as at September 30, 2014:

	Volume (Bbls/d)	Pricing (Cdn$/Bbl)	Premium (Cdn$/Bbl)	Remaining term
WTI crude oil contracts				
Fixed price swap	2,715	$95.86		Oct 1, 2014 – Dec 31, 2014
Fixed price swap	2,900	$96.90		Jan 1, 2015 – Mar 31, 2015
Fixed price swap	2,567	$98.51		Apr 1, 2015 – Jun 30, 2015
Fixed price swap	2,103	$100.05		Jul 1, 2015 – Sep 30, 2015
Fixed price swap	1,551	$100.14		Oct 1, 2015 – Dec 31, 2015
Fixed price swap	800	$99.08		Jan 1, 2016 – Jun 30, 2016
Fixed price swap	500	$98.25		Jul 1, 2016 – Dec 31, 2016
Put option	800	$102.51	$6.19	Oct 1, 2014 – Dec 31, 2014
Put option	300	$104.52	$4.82	Jan 1, 2015 – Jun 30, 2015
Put option	200	$103.50	$4.90	Jul 1, 2015 – Sep 30, 2015

	Volume (MMbtu/d)	Pricing (US$/MMbtu)	Remaining term
Nymex natural gas contracts			
NYMEX costless collar	5,000	$3.90 – $4.52	Oct 1, 2014 – Dec 31, 2014
NYMEX fixed price swap	2,000	$3.80	Oct 1, 2014 – Dec 31, 2014
NYMEX-AECO basis	35,000	$(0.57)	Oct 1, 2014 – Dec 31, 2014
NYMEX-AECO basis	5,000	$(0.44)	Jan 1, 2015 – Dec 31, 2015

Subsequent to September 30, 2014 the following financial instruments have been entered into:

	Volume (Bbls/d)	Pricing (Cdn$/Bbl)	Remaining term
WTI crude oil contracts			
Fixed price swap	100	$94.22	Jan 1, 2015 – Dec 31, 2015
Fixed price swap	250	$88.50	Jul 1, 2015 – Dec 31, 2015
Fixed price swap	250	$94.05	Jul 1, 2015 – Dec 31, 2016

	Volume (MMbtu/d)	Pricing (US$/MMbtu)	Remaining term
Nymex natural gas contracts			
NYMEX-AECO basis	5,000	$(0.61)	Jan 1, 2016 – Dec 31, 2016

The following is a reconciliation of movement in the fair value of unrealized commodity risk management contracts:

	September 30, 2014	December 31, 2013
Fair value of contracts, January 1	**$ (6,821)**	$ (1,072)
Change in the fair value of contracts in the period	**(8,700)**	(12,762)
Fair value of contracts realized in the period	**12,826**	7,013
Fair value of contracts, end of period	**$ (2,695)**	$ (6,821)
Commodity derivative liabilities – current	**$ (3,829)**	$ (2,516)
Commodity derivative assets (lliabilities) – long term	**$ 1,134**	$ (4,305)

(d) Physical purchase and sale contracts

The following is a summary of physical purchase and sale contracts outstanding as at September 30, 2014:

	Volume (GJ/d)	**Pricing (Cdn$/GJ)**	**Remaining term**
AECO natural gas contracts			
Costless collar	12,000	$3.17 – $3.70	Oct 1, 2014 – Dec 31, 2014
Costless collar	3,722	$3.27 – $3.86	Jan 1, 2015 – Mar 31, 2015
Costless collar	2,000	$3.50 – $4.15	Apr 1, 2015 – Jun 30, 2015
Costless collar	12,000	$3.46 – $3.93	Jul 1, 2015 – Dec 31, 2015
Costless collar	10,000	$3.45 – $3.89	Jan 1, 2016 – Mar 31, 2016
Costless collar	5,000	$3.40 – $3.85	Apr 1, 2016 – Dec 31, 2016
Fixed price swap	38,799	$3.63	Oct 1, 2014 – Dec 31, 2014
Fixed price swap	46,000	$3.73	Jan 1, 2015 – Jun 30, 2015
Fixed price swap	36,000	$3.79	Jul 1, 2015 – Sep 30, 2015
Fixed price swap	25,712	$3.82	Oct 1, 2015 – Dec 31, 2015
Fixed price swap	10,000	$3.67	Jan 1, 2016 – Dec 31, 2016

Subsequent to September 30, 2014 the following physical purchase and sale contracts have been entered into:

	Volume (GJ/d)	**Pricing (Cdn$/GJ)**	**Remaining term**
Natural gas contracts			
Fixed price swap	2,000	$3.58	Jan 1, 2015 – Dec 31, 2015
Fixed price swap	4,000	$3.63	Jan 1, 2015 – Apr 30, 2015
Fixed price swap	5,000	$3.58	Jul 1, 2015 – Mar 31, 2016
Fixed price swap	5,000	$3.75	Nov 1, 2015 – Mar 31, 2016
Fixed price swap	3,000	$3.51	Jun 1, 2015 – Dec 31, 2015
Fixed price swap	5,000	$3.58	Oct 1, 2015 – Dec 31, 2016

12. Commitments

The following is a summary of the Company's commitments as at September 30, 2014:

	Total	2014	2015	2016	2017	2018	Thereafter
Transportation and processing	**$453,660**	$ 4,158	$29,639	$46,140	$49,599	$48,968	$275,156
Office lease	**11,459**	922	3,688	3,702	3,147	-	-
Flow-through common shares	**25,141**	13,474	11,667	-	-	-	-
Total commitments	**$490,260**	$18,554	$44,994	$49,842	$52,746	$48,968	$275,156

During the third quarter of 2014, the Company entered into an agreement with a company for the transportation and processing of an additional 30 MMcf/d of raw gas from the condensate rich Wapiti Montney play for a period of 10 years. This agreement expanded the capacity to 77 MMcf/d and the total value of this contract, included under transportation and processing commitments, was valued at $180.6 million.