**NUVISTA ENERGY LTD.**

**Condensed Statements of Financial Position**
(unaudited)

| ($Cdn thousands) | | **June 30, 2015** | | December 31, 2014 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | **$** | **—** | $ | — |
| Accounts receivable and prepaid expenses | | **27,304** | | 39,168 |
| Commodity derivative assets (note 11) | | **10,525** | | 31,237 |
| Assets held for sale (notes 4 & 5) | | **12,589** | | — |
| | | **50,418** | | 70,405 |
| Commodity derivative assets (note 11) | | **10,473** | | 15,974 |
| Note receivable | | **5,225** | | 5,014 |
| Exploration and evaluation assets (note 4) | | **93,071** | | 98,906 |
| Property, plant and equipment (note 5) | | **908,149** | | 825,115 |
| Deferred tax assets | | **9,449** | | 8,666 |
| **Total assets** | **$** | **1,076,785** | $ | 1,024,080 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | **$** | **43,294** | $ | 50,969 |
| Liabilities associated with assets held for sale (note 7) | | **8,814** | | — |
| | | **52,108** | | 50,969 |
| Long-term debt (note 6) | | **153,427** | | 171,969 |
| Other liabilities | | **—** | | 2,188 |
| Asset retirement obligations (note 7) | | **100,544** | | 111,307 |
| | | **306,079** | | 336,433 |
| **Shareholders' equity** | | | | |
| Share capital (note 8) | | **1,139,696** | | 1,029,017 |
| Contributed surplus | | **42,208** | | 40,812 |
| Deficit | | **(411,198)** | | (382,182) |
| | | **770,706** | | 687,647 |
| **Total liabilities and shareholders' equity** | **$** | **1,076,785** | $ | 1,024,080 |

Subsequent events (notes 4, 5, 7, 11)
Commitments (note 12)

See accompanying notes to the condensed interim financial statements.

**NUVISTA ENERGY LTD.**

## Statements of Loss and Comprehensive Loss
(unaudited)

| ($Cdn thousands, except per share amounts) | Three months ended June 30, 2015 | 2014 | Six months ended June 30, 2015 | 2014 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Oil and natural gas | **$ 57,502** | $ 51,734 | **$ 115,429** | $ 120,631 |
| Royalties | **(1,847)** | (5,542) | **(4,686)** | (12,186) |
| | **55,655** | 46,192 | **110,743** | 108,445 |
| Realized gain (loss) on commodity derivatives (note 11) | **8,160** | (5,119) | **20,429** | (8,819) |
| Unrealized gain (loss) on commodity derivatives (note 11) | **(15,617)** | 1,327 | **(26,213)** | (8,059) |
| | **48,198** | 42,400 | **104,959** | 91,567 |
| **Expenses** | | | | |
| Transportation | **1,228** | 1,556 | **7,941** | 3,207 |
| Operating | **25,068** | 15,116 | **47,929** | 32,559 |
| General and administrative | **5,317** | 5,259 | **10,566** | 10,376 |
| Share-based compensation (note 10) | **1,291** | 3,811 | **2,773** | 7,064 |
| Depletion, depreciation, amortization and impairment (note 5) | **35,051** | 33,706 | **61,004** | 55,353 |
| Exploration and evaluation (note 4) | **1,009** | 1,664 | **2,135** | 5,016 |
| Gain on property dispositions | **(115)** | (5,970) | **(604)** | (5,970) |
| Financing costs | **2,254** | 2,159 | **4,791** | 3,863 |
| | **71,103** | 57,301 | **136,535** | 111,468 |
| **Loss before taxes** | **(22,905)** | (14,901) | **(31,576)** | (19,901) |
| Deferred income tax benefit | **(1,548)** | (3,064) | **(2,560)** | (3,706) |
| **Net loss and comprehensive loss** | **$ (21,357)** | $ (11,837) | **$ (29,016)** | $ (16,195) |
| | | | | |
| **Net loss per share** (note 9) | | | | |
| Basic | **$ (0.14)** | $ (0.09) | **$ (0.20)** | $ (0.12) |
| Diluted | **$ (0.14)** | $ (0.09) | **$ (0.20)** | $ (0.12) |

See accompanying notes to the condensed interim financial statements.

**NUVISTA ENERGY LTD.**

**Statements of Changes in Shareholders' Equity**
(unaudited)

| ($Cdn thousands) | | Six months ended June 30, **2015** | | 2014 |
|---|---|---|---|---|
| **Share capital** (note 8) | | | | |
| Balance, January 1 | **$** | **1,029,017** | $ | 991,489 |
| Issued for cash on offering of common shares | | **90,000** | | — |
| Issued for cash on offering of flow-through common shares, net of implied premium of $1.1 million (2014 - $nil) | | **20,861** | | — |
| Issued for cash on exercise of stock options | | **2,590** | | 5,345 |
| Contributed surplus transferred on exercise of stock options | | **893** | | 1,533 |
| Conversion of restricted share awards | | **52** | | 703 |
| Share issue costs, net of deferred tax benefit of $1.2 million (2014 – $nil) | | **(3,717)** | | (5) |
| Balance, end of period | **$** | **1,139,696** | $ | 999,065 |
| | | | | |
| **Contributed surplus** | | | | |
| Balance, January 1 | **$** | **40,812** | $ | 39,607 |
| Share-based compensation (note 10) | | **2,341** | | 1,838 |
| Transfer to share capital on exercise of stock options | | **(893)** | | (1,533) |
| Conversion of restricted share awards | | **(52)** | | (703) |
| Balance, end of period | **$** | **42,208** | $ | 39,209 |
| | | | | |
| **Deficit** | | | | |
| Balance, January 1 | **$** | **(382,182)** | $ | (323,301) |
| Net loss | | **(29,016)** | | (16,195) |
| Balance, end of period | **$** | **(411,198)** | $ | (339,496) |
| **Total shareholders' equity** | **$** | **770,706** | $ | 698,778 |

See accompanying notes to the condensed interim financial statements.

**NUVISTA ENERGY LTD.**

## Statements of Cash Flows
(unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| **Cash provided by (used in)** | | | | |
| **Operating activities** | | | | |
| Net loss | **$ (21,357)** | $ (11,837) | **$ (29,016)** | $ (16,195) |
| Items not requiring cash from operations: | | | | |
| Depletion, depreciation, amortization and impairment | **35,051** | 33,706 | **61,004** | 55,353 |
| Exploration and evaluation | **1,009** | 1,664 | **2,135** | 5,016 |
| Gain on property dispositions | **(115)** | (5,970) | **(604)** | (5,970) |
| Share-based compensation (note 10) | **1,071** | 1,084 | **2,224** | 1,731 |
| Unrealized (gain) loss on commodity derivatives | **15,617** | (1,327) | **26,213** | 8,059 |
| Deferred income tax benefit | **(1,548)** | (3,064) | **(2,560)** | (3,706) |
| Accretion (note 7) | **578** | 797 | **1,227** | 1,658 |
| Asset retirement expenditures (note 7) | **(1,069)** | (438) | **(3,412)** | (4,842) |
| Change in non-cash working capital | **(7,853)** | (3,439) | **3,153** | (4,682) |
| | **21,384** | 11,176 | **60,364** | 36,422 |
| **Financing activities** | | | | |
| Issue of share capital, net of share issue costs | **108,893** | 4,177 | **109,639** | 5,339 |
| Increase (decrease) in long-term debt | **(79,112)** | 71,432 | **(18,542)** | 158,383 |
| | **29,781** | 75,609 | **91,097** | 163,722 |
| **Investing activities** | | | | |
| Property, plant and equipment expenditures | **(49,951)** | (61,703) | **(150,555)** | (180,491) |
| Exploration and evaluation expenditures | **(3,808)** | (136) | **(10,520)** | (7,917) |
| Property acquisitions | **—** | (4,811) | **(600)** | (4,811) |
| Proceeds on property dispositions | **7,384** | 8,553 | **10,136** | 8,553 |
| Change in non-cash working capital | **(4,790)** | (28,688) | **78** | (17,966) |
| | **(51,165)** | (86,785) | **(151,461)** | (202,632) |
| Change in cash and cash equivalents | **—** | — | **—** | (2,488) |
| Cash and cash equivalents, balance January 1 | **—** | — | **—** | 2,488 |
| **Cash and cash equivalents, end of period** | **$ —** | $ — | **$ —** | $ — |
| Cash interest paid | **$ 2,067** | $ 1,347 | **$ 3,842** | $ 2,055 |

See accompanying notes to the condensed interim financial statements.

Three and six months ended June 30, 2015 with comparative figures for 2014. 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 Canadian publicly traded company incorporated in the province of Alberta. The Company is an oil and natural gas company actively engaged in the exploration, development and production of oil and natural gas reserves in the Western Canadian Sedimentary Basin. NuVista's primary focus is on the scalable and repeatable condensate-rich Montney formation in the Alberta Deep Basin.

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 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 financial statements for the year ended December 31, 2014. These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved and authorized for issuance by the Board of Directors on August 10, 2015.

## 3. New accounting policies

Future accounting changes

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", which replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts". The standard is now effective January 1, 2018 and is required to be adopted retrospectively or using a modified transition approach. The Company will be required to adopt this standard and is currently evaluating the impact this standard may have on the financial statements.

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 on the financial statements.

## 4. Exploration and evaluation assets

| | | June 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| Balance, January 1 | **$** | **98,906** | $ | 85,754 |
| Additions | | **10,520** | | 15,647 |
| Acquisitions | | **600** | | 37,117 |
| Dispositions | | **—** | | (6,567) |
| Capitalized share-based compensation (note 10) | | **(82)** | | 342 |
| Transfers to property, plant and equipment (note 5) | | **(10,325)** | | (22,011) |
| Expiries (exploration and evaluation expense) | | **(2,135)** | | (11,376) |
| Assets reclassified as held for sale (note 5) | | **(4,413)** | | — |
| Balance, end of period | **$** | **93,071** | $ | 98,906 |

## 5. Property, plant and equipment

| | | June 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, January 1 | **$** | **1,355,406** | $ | 1,320,834 |
| Additions | | **150,555** | | 296,561 |
| Acquisitions | | **—** | | 8,120 |
| Dispositions | | **(19,427)** | | (318,335) |
| Change in asset retirement obligations (note 7) | | **1,627** | | 26,215 |
| Transfers from exploration and evaluation assets (note 4) | | **10,325** | | 22,011 |
| Assets reclassified as held for sale | | **(57,205)** | | — |
| Balance, end of period | **$** | **1,441,281** | $ | 1,355,406 |

| | | June 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| **Accumulated depletion, depreciation, amortization and impairment** | | | | |
| Balance, January 1 | **$** | **530,291** | $ | 541,192 |
| Depletion and depreciation expense | | **51,023** | | 89,033 |
| Dispositions | | **(9,134)** | | (159,071) |
| Impairments | | **9,981** | | 59,137 |
| Accumulated depletion and depreciation on assets held for sale | | **(49,029)** | | — |
| Balance, end of period | **$** | **533,132** | $ | 530,291 |

| | | June 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| **Carrying value** | | | | |
| Balance, January 1 | **$** | **825,115** | $ | 779,642 |
| Balance, end of period | **$** | **908,149** | $ | 825,115 |

In June 2015, the Company signed an agreement to dispose of certain non-core natural gas properties in the Kirkwall area held within the Company's shallow gas cash generating unit ("CGU"). The disposition of these assets closed in July of 2015. At June 30, 2015 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, were $3.8 million. The Company recorded impairment loss on assets held for sale of $10.0 million which has been included as depletion, depreciation, amortization and impairment expense in net earnings. The carrying value of these assets, after impairment of $12.6 million was classified as “assets held for sale” and the associated ARO liabilities of $8.8 million have been reclassified to current liabilities.

At June 30, 2015, certain assets in the shallow gas CGU were transferred to assets held for sale. Immediately prior to the transfer of these assets, an impairment test was performed on this CGU and did not result in an impairment charge. 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 15%, based on internal reserves report. The following benchmark reference prices were used:

2015 Benchmark reference price forecasts

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter |
|---|---|---|---|---|---|---|---|---|---|---|
| WTI ($US/Bbl) [(1)] | 67.50 | 70.00 | 75.00 | 80.00 | 85.00 | 90.00 | 91.90 | 93.73 | 95.61 | +2%/yr |
| AECO (Cdn$/ MMbtu) [(1)] | 3.30 | 3.50 | 3.79 | 3.99 | 4.20 | 4.40 | 4.61 | 4.8 | 4.89 | +2%/yr |

[(1)] Price forecast effective July 1, 2015.

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

In June 2014, certain oil and gas assets were reclassified as assets held for sale. Immediately prior to reclassifying these assets to assets held for sale, the Company recorded an impairment loss of $15.8 million.

## 6. Long-term debt

At June 30, 2015, the Company had a $300.0 million (December 31, 2014 – $300.0 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. 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. For the first half of 2015, borrowing costs averaged 3.3% (December 31, 2014 – 3.4%). 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 revolving period matures on April 29, 2016. During the term period, no principal payments would be required until a year after the revolving period matures. As at June 30, 2015, the Company had drawn $153.4 million (December 31, 2014 – $172.0 million). The Company is subject to various non-financial covenants under its credit facility. Compliance with these covenants is monitored on a regular basis and as at June 30, 2015, the Company was in compliance with all covenants.

## 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 June 30, 2015, the estimated total undiscounted amount of cash flows required to settle the asset retirement obligations is $165.1 million (December 31, 2014 – $172.6 million), which is estimated to be incurred over the next 50 years. A risk-free rate of 2.3% (December 31, 2014 – 2.3%) and an inflation rate of 2.0% (December 31, 2014 – 2.0%) were used to calculate the net present value of the asset retirement obligations. The decrease in the year to date estimates of $0.1 million was primarily as a result of a slight increase in the risk-free rate compared to December 31, 2014. A reconciliation of the asset retirement obligations is provided below:

| | | June 30, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| Balance, January 1 | **$** | **111,307** | $ | 106,275 |
| Accretion expense | | **1,227** | | 2,994 |
| Liabilities incurred | | **1,743** | | 2,324 |
| Liabilities disposed | | **(1,391)** | | (15,598) |
| Change in estimates and discount rate | | **(116)** | | 23,891 |
| Liabilities settled | | **(3,412)** | | (8,579) |
| Reclassified liabilities associated with assets held for sale (note 5) | | **(8,814)** | | — |
| Balance, end of period | **$** | **100,544** | $ | 111,307 |

## 8. Share capital

Common shares

| | June 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | **Number** | **Amount** | Number | Amount |
| Balance, January 1 | **138,676,908** | **$ 1,029,017** | 134,991,488 | $ 991,489 |
| Issued for cash on offering of common shares | **11,465,000** | **90,000** | — | — |
| Issued for cash on offering of flow-through common shares[1] | **2,544,040** | **20,861** | 2,360,655 | 25,731 |
| Issued for cash on exercise of stock options | **535,212** | **2,590** | 1,220,876 | 9,381 |
| Contributed surplus transferred on exercise of stock options | **—** | **893** | — | 2,620 |
| Conversion of restricted share awards | **11,307** | **52** | 164,227 | 703 |
| Cancellation of shares | **—** | **—** | (60,338) | (779) |
| Share issue costs, net of deferred tax benefit of $1.2 million (2014 – $0.04 million) | **—** | **(3,717)** | — | (128) |
| Balance, end of period | **153,232,467** | **$ 1,139,696** | 138,676,908 | $ 1,029,017 |

(1) Net of implied premium of $1.1 million in 2015 and $3.6 million in 2014 on flow-through share price compared to trading price at announcement of equity issuance.

In April 2015, the Company issued common and flow-through shares for gross proceeds of $112.0 million. Pursuant to a public offering, 11.5 million common shares were issued at $7.85 per share and 2.3 million common shares were issued on a flow-through basis in respect of Canadian Development expenses (“CDE”) at a price of $8.65 per share. In addition, the Company also completed a private offering of 0.2 million common shares on a flow-through basis in respect of CDE expenses at a price of $8.65 per share. Under the terms of the flow-through share agreements, the Company is committed to spend $22.0 million on qualifying CDE prior to December 31, 2015. As of June 30, 2015, NuVista has fulfilled its commitment to spend $22.0 million of CDE on qualifying expenditures.

In September 2014, 60,338 common shares were canceled as the sunset clause was reached for shares not deposited in connection with the Plan of Arrangement involving Rider Resources Ltd. which was completed in March 2008. Dividends associated with these common shares were refunded and recorded as a credit to contributed surplus.

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 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 December 31, 2014 the Company had fully spent the qualifying CDE and as at March 31, 2015, the Company had fully spent the CEE on qualifying expenditures.

## 9. Earnings (loss) per share

The following table summarizes the weighted average common shares used in calculating net earning (loss) per share:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (thousands of shares) | **2015** | 2014 | **2015** | 2014 |
| Weighted average common shares outstanding | | | | |
| Basic | **148,593** | 135,593 | **143,680** | 135,366 |
| Diluted | **148,593** | 135,593 | **143,680** | 135,366 |

For the three and six months ended June 30, 2015 and 2014 all stock options and restricted share awards outstanding were anti-dilutive and were not included in the diluted common share calculation.

## 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 vest at the rate of 1/3 per year and expire 2.5 years after the vesting date. The maximum number of stock options available for issuance under the stock option plan as well as the company's previous stock option plan is 7,916,195 The following continuity table summarizes the stock option activity:

| | **June 30, 2015** | | December 31, 2014 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| Balance, January 1 | **6,378,553** | **$ 7.45** | 7,113,345 | $ 7.36 |
| Granted | **825,855** | **8.09** | 1,627,995 | 10.04 |
| Exercised | **(535,212)** | **4.84** | (1,220,876) | 7.68 |
| Forfeited | **(208,031)** | **8.39** | (583,077) | 8.33 |
| Expired | **(216,577)** | **10.13** | (558,834) | 12.38 |
| Balance, end of period | **6,244,588** | **$ 7.63** | 6,378,553 | $ 7.45 |
| Weighted average share price on date of exercise | **535,212** | **$ 8.01** | 1,220,876 | $ 10.18 |

The following table summarizes stock options outstanding and exercisable under the plan at June 30, 2015:

| | 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 |
| $3.19 to $4.99 | 1,066,874 | 1.6 | $ 4.48 | 1,058,873 | $ 4.48 |
| $5.00 to $9.99 | 4,375,230 | 2.7 | 7.81 | 2,041,051 | 7.42 |
| $10.00 to $14.00 | 802,484 | 2.7 | 10.85 | 401,780 | 10.90 |
| **$3.19 to $14.00** | **6,244,588** | **2.5** | **$ 7.63** | **3,501,704** | **$ 6.93** |

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") 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:

| | **June 30, 2015** | December 31, 2014 |
|---|---|---|
| Balance, January 1 | **501,110** | 1,206,327 |
| Settled | **(228,422)** | (788,089) |
| Granted | **—** | 168,898 |
| Forfeited | **(10,719)** | (86,026) |
| Balance, end of period | **261,969** | 501,110 |

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

| | | **June 30, 2015** | | December 31, 2014 |
|---|---|---|---|---|
| Balance, January 1 | **$** | **2,057** | $ | 4,172 |
| Change in accrued compensation liabilities | | **(990)** | | (2,115) |
| Balance, end of period | **$** | **1,067** | $ | 2,057 |
| Compensation liabilities – current (included in accounts payable and accrued liabilities) | **$** | **1,067** | $ | 1,743 |
| Compensation liabilities – non-current (included in other liabilities) | **$** | **—** | $ | 314 |

Restricted share awards

The Company has a Restricted Share Award ("RSA") Plan for employees and officers which entitle the employee to receive one common share for each RSA granted upon vesting. RSA grants vest within three years from the date of grant. The maximum number of common shares reserved for issuance under the RSA plan is 1,650,000.

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:

| | **June 30, 2015** | December 31, 2014 |
|---|---|---|
| Balance, January 1 | **138,181** | 181,048 |
| Settled | **(11,307)** | (164,227) |
| Granted | **125,983** | 127,221 |
| Forfeited | **(12,947)** | (5,861) |
| Balance, end of period | **239,910** | 138,181 |

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

| | **Six months ended June 30,** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2015** | | | | 2014 | | | |
| | **Stock options** | **RSU** | **RSA** | **Total** | Stock options | RSU | RSA | Total |
| Share-based compensation | **$ 1,933** | **$ (792)** | **$ 291** | **$ 1,432** | $ 1,571 | $ 999 | $ 160 | $ 2,730 |
| RSU cash paid | **—** | **1,341** | **—** | **1,341** | — | 4,334 | — | 4,334 |
| Share-based compensation expense | **$ 1,933** | **$ 549** | **$ 291** | **$ 2,773** | $ 1,571 | $ 5,333 | $ 160 | $ 7,064 |
| | | | | | | | | |
| Gross capitalized share-based compensation | **$ 78** | **$ 202** | **$ 37** | **$ 317** | $ 105 | $ 641 | $ 2 | $ 748 |
| RSU cash paid | **—** | **(399)** | **—** | **(399)** | — | (325) | — | (325) |
| Net capitalized share-based compensation | **$ 78** | **$ (197)** | **$ 37** | **$ (82)** | $ 105 | $ 316 | $ 2 | $ 423 |

## 11. Risk management activities

(a) Financial instruments

The Company's financial instruments recognized on the 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:

| | **June 30, 2015** | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| | **Gross financial assets** | **Gross financial liabilities** | **Net financial assets** | Gross financial assets | Gross financial liabilities | Net financial assets |
| Current assets (liabilities) | **$ 10,540** | **$ (15)** | **$ 10,525** | $ 31,237 | $ — | $ 31,237 |
| Long-term assets (liabilities) | **10,625** | **(152)** | **10,473** | 15,974 | — | 15,974 |
| Net position | **$ 21,165** | **$ (167)** | **$ 20,998** | $ 47,211 | $ — | $ 47,211 |

(c) Risk management contracts

The following is a summary of financial instruments outstanding as at June 30, 2015:

| | **Volume (Bbls/d)** | **Pricing (Cdn$/Bbl)** | **Premium (Cdn$/Bbl)** | **Remaining term** |
|---|---|---|---|---|
| **WTI crude oil contracts** | | | | |
| Fixed price swap | 3,253 | $96.11 | | Jul 1, 2015 - Sept 30, 2015 |
| Fixed price swap | 3,201 | $93.17 | | Oct 1, 2015 - Dec 31, 2015 |
| Fixed price swap | 2,200 | $88.29 | | Jan 1, 2016 - Mar 31, 2016 |
| Fixed price swap | 2,200 | $88.29 | | Apr 1, 2016 - Jun 30, 2016 |
| Fixed price swap | 1,900 | $86.37 | | Jul 1, 2016 - Sept 30, 2016 |
| Fixed price swap | 1,900 | $86.37 | | Oct 1, 2016 - Dec 31, 2016 |
| Put option | 200 | $103.50 | $4.90 | Jul 1, 2015 - Sept 30, 2015 |

| | **Volume (MMbtu/d)** | **Pricing (US$/MMbtu)** | **Remaining term** |
|---|---|---|---|
| **Nymex natural gas contracts** | | | |
| AECO-NYMEX basis | 5,000 | $(0.44) | Jul 1, 2015 - Dec 31, 2015 |
| AECO-NYMEX basis | 10,000 | $(0.66) | Jan 1, 2016 - Dec 31, 2016 |
| AECO-NYMEX basis | 10,000 | $(0.70) | Jan 1, 2017 - Dec 31, 2017 |
| Chicago-NYMEX basis | 10,000 | $(0.01) | Jan 1, 2016 - Dec 31, 2016 |
| Chicago-NYMEX basis | 5,000 | $(0.05) | Jan 1, 2017 - Dec 31, 2017 |

Subsequent to June 30, 2015 the following financial instruments have been entered into:

| | Volume (Bbls/d) | Pricing (Cdn$/Bbl) | Remaining term |
|---|---|---|---|
| **WTI crude oil contracts** | | | |
| Fixed price swap | 300 | $71.42 | Jan 1, 2016 - Dec 31, 2016 |

| | Volume (MMbtu/d) | Pricing (US$/MMbtu) | Remaining term |
|---|---|---|---|
| **NYMEX natural gas contracts** | | | |
| Chicago-NYMEX basis | 10,000 | $0.21 | Dec 1, 2015 - Mar 31, 2016 |

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

| | | **June 30, 2015** | | December 31, 2014 |
|---|---|---|---|---|
| Fair value of contracts, January 1 | **$** | **47,211** | $ | (6,821) |
| Change in the fair value of contracts in the period | | **(5,784)** | | 45,234 |
| Fair value of contracts realized in the period | | **(20,429)** | | 8,798 |
| Fair value of contracts, end of period | **$** | **20,998** | $ | 47,211 |
| Commodity derivative assets – current | **$** | **10,525** | $ | 31,237 |
| Commodity derivative assets – long term | **$** | **10,473** | $ | 15,974 |

(d) Physical purchase and sale contracts

The following is a summary of physical purchase and sale contracts outstanding as at June 30, 2015:

| | Volume (GJ/d) | Pricing (Cdn$/GJ) | Remaining term |
|---|---|---|---|
| **AECO natural gas contracts** | | | |
| Costless collar | 12,000 | $3.46 - $3.93 | Jul 1, 2015 - Sep 30, 2015 |
| Costless collar | 12,000 | $3.46 - $3.93 | Oct 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 - Jun 30, 2016 |
| Costless collar | 5,000 | $3.40 - $3.85 | Jul 1, 2016 - Sept 30, 2016 |
| Costless collar | 5,000 | $3.40 - $3.85 | Oct 1, 2016 - Dec 31, 2016 |
| Fixed price swap | 53,022 | $3.71 | Jul 1, 2015 - Sep 30, 2015 |
| Fixed price swap | 52,342 | $3.69 | Oct 1, 2015 - Dec 31, 2015 |
| Fixed price swap | 50,000 | $3.59 | Jan 1, 2016 - Mar 31, 2016 |
| Fixed price swap | 40,000 | $3.53 | Apr 1, 2016 - Jun 30, 2016 |
| Fixed price swap | 50,000 | $3.49 | Jul 1, 2016 - Sep 30, 2016 |
| Fixed price swap | 50,000 | $3.49 | Oct 1, 2016 - Dec 31, 2016 |
| Fixed price swap | 40,000 | $3.44 | Jan 1, 2017 - Mar 31, 2017 |
| Fixed price swap | 25,000 | $3.43 | Apr 1, 2017 - Jun 30, 2017 |
| Fixed price swap | 15,000 | $3.50 | Jul 1, 2017 - Sep 30, 2017 |
| Fixed price swap | 13,315 | $3.50 | Oct 1, 2017 - Dec 31, 2017 |

## 12. Commitments

The following is a summary of the Company's commitments as at June 30, 2015:

| | **Total** | 2015 | 2016 | 2017 | 2018 | 2019 | Thereafter |
|---|---|---|---|---|---|---|---|
| Transportation and processing | **$ 571,139** | $ 17,814 | $ 55,132 | $ 65,819 | $ 66,217 | $ 59,743 | $ 306,414 |
| Office lease | **8,868** | 1,877 | 3,813 | 3,178 | — | — | — |
| Purchase contracts | **7,911** | 5,143 | 2,768 | — | — | — | — |
| Total commitments | **$ 587,918** | $ 24,834 | $ 61,713 | $ 68,997 | $ 66,217 | $ 59,743 | $ 306,414 |