

**NUVISTA ENERGY LTD.****Condensed Consolidated Statements of Financial Position**  
(unaudited)

(\$Cdn thousands)	June 30, 2014	December 31, 2013
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ -	\$ 2,488
Accounts receivable and prepaid expenses	22,994	29,428
Assets held for sale (note 5)	25,785	-
	48,779	31,916
Note receivable	5,197	5,000
Exploration and evaluation assets (note 4)	73,673	85,754
Property, plant and equipment (note 5)	904,533	779,642
Deferred tax assets	4,779	3,399
<b>Total assets</b>	<b>\$1,036,961</b>	<b>\$905,711</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 50,930	\$ 79,411
Commodity derivative liabilities (note 11)	11,115	2,516
Liabilities associated with assets held for sale (note 5,7)	26,485	-
	88,530	81,927
Long-term debt (note 6)	158,383	-
Other liabilities	2,995	5,409
Commodity derivative liabilities (note 11)	3,765	4,305
Asset retirement obligations (note 7)	84,510	106,275
	338,183	197,916
<b>Shareholders' equity</b>		
Share capital (note 8)	999,065	991,489
Contributed surplus	39,209	39,607
Deficit	(339,496)	(323,301)
	698,778	707,795
<b>Total liabilities and shareholders' equity</b>	<b>\$1,036,961</b>	<b>\$905,711</b>

Subsequent event (note 11)  
Commitments (note 12)

See accompanying notes to condensed interim consolidated financial statements.

**NUVISTA ENERGY LTD.**

**Condensed Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)**  
(unaudited)

(\$Cdn thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
<b>Revenues</b>				
Oil and natural gas	\$ 51,734	\$ 54,158	\$ 120,631	\$ 95,906
Royalties	(5,542)	(5,913)	(12,186)	(9,962)
	<b>46,192</b>	48,245	<b>108,445</b>	85,944
Realized loss on commodity derivatives (note 11)	(5,119)	(820)	(8,819)	(2,078)
Unrealized gain (loss) on commodity derivatives (note 11)	1,327	(1,032)	(8,059)	(2,820)
	<b>42,400</b>	46,393	<b>91,567</b>	81,046
<b>Expenses</b>				
Operating	15,116	19,743	32,559	36,113
Transportation	1,556	1,214	3,207	2,485
General and administrative	5,259	5,100	10,376	10,259
Share-based compensation (note 10)	3,811	2,424	7,064	4,860
Depletion, depreciation, amortization and impairment (note 5)	33,706	21,384	55,353	39,808
Exploration and evaluation (note 4)	1,664	1,388	5,016	1,832
(Gain) loss on property dispositions (note 5)	(5,970)	2,354	(5,970)	(5,528)
Financing charges	2,159	1,940	3,863	3,676
	<b>57,301</b>	55,547	<b>111,468</b>	93,505
<b>Loss before taxes</b>	<b>(14,901)</b>	(9,154)	<b>(19,901)</b>	(12,459)
Deferred income tax expense (benefit)	(3,064)	(1,771)	(3,706)	(1,015)
<b>Net loss and comprehensive loss</b>	<b>\$ (11,837)</b>	\$ (7,383)	<b>\$ (16,195)</b>	\$ (11,444)
<b>Net loss per share (note 9)</b>				
Basic	\$ (0.09)	\$ (0.06)	\$ (0.12)	\$ (0.10)
Diluted	\$ (0.09)	\$ (0.06)	\$ (0.12)	\$ (0.10)

See accompanying notes to condensed interim consolidated financial statements.

**NUVISTA ENERGY LTD.****Condensed Consolidated Statements of Changes in Shareholders' Equity**  
(unaudited)

(\$Cdn thousands)

<b>Six months ended June 30,</b>	<b>2014</b>	<b>2013</b>
<b>Share capital</b> (note 8)		
Balance, January 1	\$ 991,489	\$ 882,831
Issued for cash on exercise of stock options	5,345	446
Contributed surplus transferred on exercise of stock options	1,533	150
Conversion of restricted share awards	703	77
Share issue costs, net of deferred tax benefit of \$nil (2013 – \$0.03 million)	(5)	(86)
Balance, end of period	\$ 999,065	\$ 883,418
<b>Contributed surplus</b>		
Balance, January 1	\$ 39,607	\$ 35,387
Share-based compensation	1,838	2,468
Transfer to share capital on exercise of stock options	(1,533)	(150)
Conversion of restricted share awards	(703)	(77)
Balance, end of period	\$ 39,209	\$ 37,628
<b>Deficit</b>		
Balance, January 1	\$(323,301)	\$(262,157)
Net loss	(16,195)	(11,444)
Balance, end of period	\$(339,496)	\$(273,601)
<b>Total shareholders' equity</b>	<b>\$ 698,778</b>	<b>\$ 647,445</b>

See accompanying notes to condensed interim consolidated financial statements.

**NUVISTA ENERGY LTD.**

**Condensed Consolidated Statements of Cash Flows**  
(unaudited)

(\$Cdn thousands)	Three months ended		Six months ended	
	June 30,		June 30,	
	2014	2013	2014	2013
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss	\$ (11,837)	\$ (7,383)	\$ (16,195)	\$ (11,444)
Items not requiring cash from operations:				
Depletion, depreciation, amortization and impairment	33,706	21,384	55,353	39,808
Exploration and evaluation	1,664	1,388	5,016	1,832
(Gain) loss on property dispositions	(5,970)	2,354	(5,970)	(5,528)
Share-based compensation	1,084	1,099	1,731	2,390
Unrealized (gain) loss on commodity derivatives	(1,327)	1,032	8,059	2,820
Deferred income tax expense (benefit)	(3,064)	(1,771)	(3,706)	(1,015)
Accretion	797	880	1,658	1,749
Asset retirement expenditures	(438)	(877)	(4,842)	(6,228)
Change in non-cash working capital	(3,439)	(6,815)	(4,682)	(9,917)
	11,176	11,291	36,422	14,467
<b>Financing activities</b>				
Issue of share capital, net of share issue costs	4,177	323	5,339	331
Increase in long-term debt	71,432	40,135	158,383	75,995
	75,609	40,458	163,722	76,326
<b>Investing activities</b>				
Property, plant and equipment expenditures	(61,703)	(29,886)	(180,491)	(96,357)
Exploration and evaluation expenditures	(136)	(1,077)	(7,917)	(3,395)
Property acquisitions	(4,811)	(2,140)	(4,811)	(2,140)
Proceeds on property dispositions	8,553	(204)	8,553	12,392
Change in non-cash working capital	(28,688)	(18,442)	(17,966)	(1,293)
	(86,785)	(51,749)	(202,632)	(90,793)
Change in cash and cash equivalents	-	-	(2,488)	-
Cash and cash equivalents, January 1	-	-	2,488	-
<b>Cash and cash equivalents, end of period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Cash interest paid	\$ 1,347	\$ 1,309	\$ 2,055	\$ 1,940

See accompanying notes to condensed interim consolidated financial statements.

**NUVISTA ENERGY LTD.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited)

Three and six months ended June 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 August 12, 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

The IASB has undertaken a three-phase project, 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. Portions of this standard remain in development and the full impact of the standard on the Company’s financial statements will not be known until the evaluation is complete.

#### 4. Exploration and evaluation assets

	June 30, 2014	December 31, 2013
Balance, January 1	\$85,754	\$113,164
Additions	7,917	6,815
Acquisitions	-	4,852
Dispositions	(5)	(16,250)
Capitalized share-based compensation	423	324
Transfers to property, plant and equipment	(12,726)	(17,552)
Expiries (exploration and evaluation expense)	(5,016)	(5,599)
Assets reclassified as held for sale (note 5)	(2,674)	-
Balance, end of period	<b>\$73,673</b>	<b>\$ 85,754</b>

#### 5. Property, plant and equipment

	June 30, 2014	December 31, 2013
<b>Cost</b>		
Balance, January 1	\$1,320,834	\$1,361,885
Additions	180,491	212,722
Acquisitions	4,811	2,183
Dispositions	(6,554)	(273,983)
Change in asset retirement obligations (note 7)	8,562	475
Transfers from exploration and evaluation assets	12,726	17,552
Assets reclassified as held for sale	(98,610)	-
Balance, end of period	<b>\$1,422,260</b>	<b>\$1,320,834</b>

	June 30, 2014	December 31, 2013
<b>Accumulated depletion, depreciation, amortization and impairment</b>		
Balance, January 1	\$541,192	\$632,706
Depletion and depreciation expense	39,602	82,995
Dispositions	(3,319)	(168,073)
Impairments (reversals)	15,751	(6,436)
Accumulated depletion reclassified as assets held for sale	(75,499)	-
Balance, end of period	<b>\$517,727</b>	<b>\$541,192</b>

	June 30, 2014	December 31, 2013
<b>Carrying amounts</b>		
Balance, January 1	\$779,642	\$729,179
Balance, end of period	<b>\$904,533</b>	<b>\$779,642</b>

During the second quarter, 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 signed an agreement to dispose of certain oil and natural gas properties in Northwest Alberta held within the Company's North Gas cash generating unit ("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 disposition of these assets is expected to close in the third quarter of 2014.

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) <sup>(1)</sup>	97.50	97.50	97.50	97.50	97.50	98.54	100.51	102.52	104.57	+2%/yr
AECO (Cdn\$/MMbtu) <sup>(1)</sup>	4.50	4.75	5.00	5.25	5.50	5.63	5.74	5.85	5.97	+2%/yr

<sup>(1)</sup> Price forecast effective July 1, 2014.

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

## 6. Long-term debt

At June 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. In April 2014, the Company’s borrowing base under the credit facility was increased to \$240 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. During the term period, no principal payments would be required until a year after the revolving period matures or April 27, 2015. As at June 30, 2014, the Company had drawn \$158.4 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 June 30, 2014, the estimated total undiscounted amount of cash flows required to settle the asset retirement obligations is \$136.5 million after dispositions (December 31, 2013 – \$179.1 million), which is estimated to be incurred over the next 51 years. A quarter end risk-free rate of 2.8% (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. A reconciliation of the asset retirement obligations is provided below:

	June 30, 2014	December 31, 2013
Balance, January 1	\$106,275	\$147,759
Accretion expense	1,658	3,776
Liabilities incurred	1,285	1,288
Liabilities disposed	(658)	(36,926)
Change in estimates and discount rate	7,277	(813)
Liabilities settled	(4,842)	(8,809)
Reclassified as liabilities associated with assets held for sale	(26,485)	-
<b>Balance, end of period</b>	<b>\$ 84,510</b>	<b>\$106,275</b>

## 8. Share capital

At June 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

	June 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 <sup>(1)</sup>	-	-	5,129,000	33,545
Issued for cash on exercise of stock options	739,180	5,345	135,328	688
Contributed surplus transferred on exercise of stock options	-	1,533	-	236
Conversion of restricted share awards	164,227	703	109,104	364
Share issue costs, net of deferred tax benefit of \$nil (2013 – \$1.4 million)	-	(5)	-	(4,275)
<b>Balance, end of period</b>	<b>135,894,895</b>	<b>\$999,065</b>	<b>134,991,488</b>	<b>\$991,489</b>

<sup>(1)</sup> Net of implied premium of \$6.1 million on flow-through share price compared to trading price at announcement of equity issuance.

In November 2013, the Company issued 11.0 million common shares at \$7.10 per share for gross proceeds of \$78.1 million.

In October 2013, the Company issued, pursuant to a public offering, 3.2 million common shares on a flow-through basis in respect of Canadian exploration expenses (“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 Canadian development expenses (“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 is 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 June 30, 2014, the Company had spent \$13.8 million on the qualifying CEE amount.

## 9. Earnings per share

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

(thousands of shares)	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Weighted average common shares outstanding				
Basic	135,593	118,665	135,366	118,643
Diluted	135,593	118,665	135,366	118,643

For the three and six months ended June 30, 2014, all stock options (June 30, 2013 – all) and all restricted share awards (June 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:

	June 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	807,065	10.49	1,492,085	7.36
Exercised	(739,180)	7.23	(135,328)	5.09
Forfeited	(329,933)	8.81	(230,568)	6.80
Expired	(216,076)	14.27	(930,348)	12.09
Balance, end of period	6,635,221	\$ 7.45	7,113,345	\$ 7.36
Weighted average share price on date of exercise	739,180	\$ 9.94	135,328	\$ 7.43

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

Range of exercise price	Options outstanding			Options exercisable	
	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	1,451,440	2.4	\$ 4.47	916,794	\$ 4.48
\$5.00 to \$9.99	3,818,840	2.7	7.31	1,881,679	7.95
\$10.00 to \$14.99	1,349,941	2.6	10.97	667,084	11.15
\$15.00 to \$16.29	15,000	0.1	16.29	15,000	16.29
\$2.90 to \$16.29	6,635,221	2.6	\$ 7.45	3,480,557	\$ 7.68

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:

	<b>June 30, 2014</b>	December 31, 2013
Balance, January 1	<b>1,206,327</b>	1,178,401
Settled	<b>(424,734)</b>	(296,689)
Granted	<b>168,898</b>	353,036
Forfeited	<b>(32,197)</b>	(28,421)
<b>Balance, end of period</b>	<b>918,294</b>	1,206,327

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

	<b>June 30, 2014</b>	December 31, 2013
Balance, January 1	<b>\$ 4,172</b>	\$ 1,488
Change in accrued compensation liabilities	<b>1,316</b>	2,684
<b>Balance, end of period</b>	<b>\$ 5,488</b>	\$ 4,172
Compensation liabilities – current (included in accounts payable and accrued liabilities)	<b>\$ 5,013</b>	\$ 3,610
Compensation liabilities – non-current	<b>\$ 475</b>	\$ 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:

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

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

	Six months ended June 30, 2014				Six months ended June 30, 2013			
	Option	RSU	RSA	Total	Option	RSU	RSA	Total
Share-based compensation	\$ 1,571	\$ 999	\$ 160	\$ 2,730	\$ 2,074	\$ 864	\$ 316	\$ 3,254
RSU cash paid	-	4,334	-	4,334	-	1,606	-	1,606
<b>Total</b>	<b>\$ 1,571</b>	<b>\$ 5,333</b>	<b>\$ 160</b>	<b>\$ 7,064</b>	<b>\$ 2,074</b>	<b>\$ 2,470</b>	<b>\$ 316</b>	<b>\$ 4,860</b>
Capitalized share-based compensation	\$ 105	\$ 641	\$ 2	\$ 748	\$ 73	\$ 110	\$ 6	\$ 189

## 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 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, 2014			December 31, 2013		
	Gross financial assets	Gross financial (liabilities)	Net financial (liabilities)	Gross financial assets	Gross financial (liabilities)	Net financial (liabilities)
Current liabilities	\$ 5	\$ (11,120)	\$ (11,115)	\$ 555	\$ (3,071)	\$ (2,516)
Long-term	-	(3,765)	(3,765)	-	(4,305)	(4,305)
Net position	\$ 5	\$ (14,885)	\$ (14,880)	\$ 555	\$ (7,376)	\$ (6,821)

(c) Risk management contracts

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

	Volume (Bbls/d)	Pricing (Cdn\$/Bbl)	Premium (Cdn\$/Bbl)	Remaining term
<b>WTI crude oil contracts</b>				
Fixed price swap	2,298	\$94.82		Jul 1, 2014 – Sep 30, 2014
Fixed price swap	2,715	\$95.86		Oct 1, 2014 – Dec 31, 2014
Fixed price swap	2,600	\$96.29		Jan 1, 2015 – Mar 31, 2015
Fixed price swap	1,932	\$97.98		Apr 1, 2015 – Jun 30, 2015
Fixed price swap	1,003	\$100.18		Jul 1, 2015 – Sep 30, 2015
Fixed price swap	451	\$100.62		Oct 1, 2015 – Dec 31, 2015
Put option	800	\$102.47	\$6.50	Jul 1, 2014 – Sep 30, 2014
Put option	600	\$102.18	\$6.63	Oct 1, 2014 – Dec 31, 2014
Put option	100	\$106.55	\$4.66	Jan 1, 2015 – Mar 31, 2015
Put option	100	\$106.55	\$4.66	Apr 1, 2015 – Jun 30, 2015

	Volume (MMbtu/d)	Pricing (US\$/MMbtu)	Premium (US\$/MMbtu)	Remaining term
<b>Nymex natural gas contracts</b>				
NYMEX costless collar	5,000	\$3.90 – \$4.52		Oct 1, 2014 – Dec 31, 2014
NYMEX fixed price swap	2,000	\$3.80		Jul 1, 2014 – Sep 30, 2014
NYMEX fixed price swap	2,000	\$3.80		Oct 1, 2014 – Dec 31, 2014
NYMEX put option	15,000	\$4.56	\$0.33	Jul 1, 2014 – Sep 30, 2014
NYMEX-AECO basis	35,000	\$(0.57)		Jul 1, 2014 – Sep 30, 2014
NYMEX-AECO basis	35,000	\$(0.57)		Oct 1, 2014 – Dec 31, 2014
NYMEX-AECO basis	5,000	\$(0.44)		Jan 1, 2015 – Mar 31, 2015
NYMEX-AECO basis	5,000	\$(0.44)		Apr 1, 2015 – Jun 30, 2015
NYMEX-AECO basis	5,000	\$(0.44)		Jul 1, 2015 – Sep 30, 2015
NYMEX-AECO basis	5,000	\$(0.44)		Oct 1, 2015 – Dec 31, 2015

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

	<b>Volume (Bbls/d)</b>	<b>Pricing (Cdn\$/Bbl)</b>	<b>Premium (Cdn\$/Bbl)</b>	<b>Remaining term</b>
<b>WTI crude oil contracts</b>				
Put option	200	\$103.50	\$4.90	Oct 1, 2014 – Sep 30, 2015
Fixed price swap	300	\$102.25		Jan 1, 2015 – Dec 31, 2015
Fixed price swap	300	\$100.45		Jul 1, 2015 – Jun 30, 2016

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

	<b>June 30, 2014</b>	December 31, 2013
Fair value of contracts, January 1	<b>\$ (6,821)</b>	\$ (1,072)
Change in the fair value of contracts in the period	<b>(16,878)</b>	(12,762)
Fair value of contracts realized in the period	<b>8,819</b>	7,013
Fair value of contracts, end of period	<b>\$ (14,880)</b>	\$ (6,821)
Commodity derivative liabilities – current	<b>\$ (11,115)</b>	\$ (2,516)
Commodity derivative liabilities – long term	<b>\$ (3,765)</b>	\$ (4,305)

(d) Physical purchase and sale contracts

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

	<b>Volume (GJ/d)</b>	<b>Pricing (Cdn\$/GJ)</b>	<b>Remaining term</b>
<b>AECO natural gas contracts</b>			
Costless collar	13,033	\$3.12 – \$3.64	Jul 1, 2014 – Sep 30, 2014
Costless collar	10,000	\$3.10 – \$3.62	Oct 1, 2014 – Dec 31, 2014
Costless collar	1,722	\$3.00 – \$3.53	Jan 1, 2015 – Mar 31, 2015
Fixed price swap	26,000	\$3.54	Jul 1, 2014 – Sep 30, 2014
Fixed price swap	36,799	\$3.63	Oct 1, 2014 – Dec 31, 2014
Fixed price swap	44,000	\$3.73	Jan 1, 2015 – Mar 31, 2015
Fixed price swap	44,000	\$3.73	Apr 1, 2015 – Jun 30, 2015
Fixed price swap	24,000	\$3.85	Jul 1, 2015 – Sep 30, 2015
Fixed price swap	13,712	\$3.95	Oct 1, 2015 – Dec 31, 2015

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

	<b>Volume (GJ/d)</b>	<b>Pricing (Cdn\$/GJ)</b>	<b>Remaining term</b>
<b>Natural gas contracts</b>			
Costless collar	2,000	\$3.50 – \$4.15	Oct 1, 2014 – Dec 31, 2015
Costless collar	5,000	\$3.50 – \$3.92	Jul 1, 2015 – Mar 31, 2016
Fixed price swap	2,000	\$3.64	Oct 1, 2014 – Dec 31, 2015
Fixed price swap	5,000	\$3.63	Jul 1, 2015 – Dec 31, 2016

## 12. Commitments

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

	<b>Total</b>	2014	2015	2016	2017	2018	Thereafter
Transportation and processing	<b>\$347,421</b>	\$7,389	\$24,196	\$37,446	\$38,037	\$37,109	\$203,244
Office lease	<b>12,381</b>	1,844	3,688	3,702	3,147	-	-
Flow-through common shares	<b>13,825</b>	13,825	-	-	-	-	-
<b>Total commitments</b>	<b>\$373,627</b>	\$23,058	\$27,884	\$41,148	\$41,184	\$37,109	\$203,244

In May 2014, the Company entered into an agreement with a company for the transportation and processing of its Wapiti Montney condensate-rich natural gas production over a 10 year period. The processing and transportation fee is included under transportation commitment and the total is valued at \$98.3 million.