NUVISTA ENERGY LTD.

Condensed Statements of Financial Position
(Unaudited)

($Cdn thousands)		June 30 2017		December 31 2016
Assets				
Current assets				
Cash and cash equivalents	$	—	$	5,341
Accounts receivable and prepaid expenses		34,534		32,274
Financial derivative assets (note 13)		5,867		—
		40,401		37,615
Financial derivative assets (note 13)		19,246		962
Exploration and evaluation assets (note 5)		76,688		73,667
Property, plant and equipment (note 6)		970,669		848,996
Total assets	$	1,107,004	$	961,240
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	55,601	$	52,305
Accrued environmental remediation liabilities (note 4)		806		846
Current portion of asset retirement obligations (note 9)		11,500		8,800
Financial derivative liabilities (note 13)		—		8,732
		67,907		70,683
Long-term debt (note 7)		93,082		—
Senior unsecured notes (note 8)		67,399		67,156
Other liabilities (note 12)		950		709
Asset retirement obligations (note 9)		52,437		66,663
		281,775		205,211
Shareholders' equity				
Share capital (note 10)		1,269,678		1,265,988
Contributed surplus		48,227		46,801
Deficit		(492,676)		(556,760)
		825,229		756,029
Total liabilities and shareholders' equity	$	1,107,004	$	961,240

Subsequent events (note 13)
Commitments (note 15)

See accompanying notes to the condensed interim financial statements.

NUVISTA ENERGY LTD.

Condensed Statements of Earnings (Loss) and Comprehensive Income (Loss)
(Unaudited)

($Cdn thousands, except per share amounts)	Three months ended June 30 **2017**	Three months ended June 30 2016	Six months ended June 30 **2017**	Six months ended June 30 2016
Revenues				
Oil and natural gas	**$ 79,401**	$ 57,840	**$ 163,637**	$ 117,559
Royalties	**(2,356)**	2,802	**(5,072)**	(269)
Net revenue from oil and natural gas sales	**77,045**	60,642	**158,565**	117,290
Realized gain on financial derivatives	**1,190**	7,228	**1,209**	18,693
Unrealized gain (loss) on financial derivatives	**12,589**	(14,020)	**32,883**	(17,674)
Net revenue from oil and natural gas sales and gains (losses) on financial derivatives	**90,824**	53,850	**192,657**	118,309
Expenses				
Transportation	**7,259**	4,412	**13,295**	10,770
Operating	**24,694**	20,617	**50,475**	45,175
General and administrative	**4,053**	4,464	**8,155**	8,873
Share-based compensation (note 12)	**1,514**	1,216	**2,664**	2,260
Depletion, depreciation and amortization (notes 5 and 6)	**26,751**	24,065	**53,950**	47,516
Exploration and evaluation (note 5)	**44**	350	**44**	350
Loss (gain) on property dispositions	**262**	3,152	**(3,292)**	2,785
Environmental remediation recovery (note 4)	**(2,550)**	—	**(2,550)**	—
Note receivable recovery	**—**	—	**—**	(350)
Financing costs	**3,030**	2,894	**5,832**	5,797
	65,057	61,170	**128,573**	123,176
Earnings (loss) before taxes	**25,767**	(7,320)	**64,084**	(4,867)
Deferred income tax expense (benefit)	**—**	—	**—**	—
Net earnings (loss) and comprehensive income (loss)	**$ 25,767**	$ (7,320)	**$ 64,084**	$ (4,867)
Net earnings (loss) per share (note 11)				
Basic	**$ 0.15**	$ (0.05)	**$ 0.37**	$ (0.03)
Diluted	**$ 0.15**	$ (0.05)	**$ 0.37**	$ (0.03)

See accompanying notes to the condensed interim financial statements.

NUVISTA ENERGY LTD.

Condensed Statements of Changes in Shareholders' Equity
(Unaudited)

		Six months ended June 30		
($Cdn thousands)		**2017**		2016
Share capital (note 10)				
Balance, January 1	**$**	**1,265,988**	$	1,140,170
Issued for cash on offering of flow-through common shares, net of implied premium of $1.6 million (2015 - $1.1 million)		**—**		20,003
Issued for cash on exercise of stock options		**2,085**		1,345
Contributed surplus transferred on exercise of stock options		**724**		466
Conversion of restricted share awards		**882**		44
Share issue costs, net of deferred tax benefit of $nil (2016 - $nil)		**(1)**		(108)
Balance, end of period	**$**	**1,269,678**	$	1,161,920
Contributed surplus				
Balance, January 1	**$**	**46,801**	$	44,576
Share-based compensation		**3,032**		2,170
Transfer to share capital on exercise of stock options		**(724)**		(466)
Conversion of restricted share awards		**(882)**		(44)
Balance, end of period	**$**	**48,227**	$	46,236
Deficit				
Balance, January 1	**$**	**(556,760)**	$	(555,107)
Net earnings (loss)		**64,084**		(4,867)
Balance, end of period	**$**	**(492,676)**	$	(559,974)
Total shareholders' equity	**$**	**825,229**	$	648,182

See accompanying notes to the condensed interim financial statements.

NUVISTA ENERGY LTD.

Condensed Statements of Cash Flows
(Unaudited)

	Three months ended June 30		Six months ended June 30	
($Cdn thousands)	**2017**	2016	**2017**	2016
Cash provided by (used in)				
Operating activities				
Net income (loss)	**$ 25,767**	$ (7,320)	**$ 64,084**	$ (4,867)
Items not requiring cash from operations:				
Depletion, depreciation and amortization	**26,751**	24,065	**53,950**	47,516
Exploration and evaluation	**44**	350	**44**	350
Loss (gain) on property dispositions	**262**	3,152	**(3,292)**	2,785
Share-based compensation (note 12)	**1,273**	871	**2,423**	1,770
Unrealized (gain) loss on financial derivatives	**(12,589)**	14,020	**(32,883)**	17,674
Accretion (note 9)	**360**	481	**796**	1,029
Asset retirement expenditures (note 9)	**(1,156)**	(581)	**(11,059)**	(5,628)
Change in non-cash working capital	**(414)**	(9,142)	**2,261**	(9,303)
	40,298	25,896	**76,324**	51,326
Financing activities				
Issue of share capital, net of share issue costs	**1,978**	22,725	**2,084**	22,866
Increase (repayment) of long-term debt	**32,103**	(141,236)	**93,082**	(107,347)
Issuance of senior unsecured notes, net of financing costs	**—**	66,893	**—**	66,893
	34,081	(51,618)	**95,166**	(17,588)
Investing activities				
Property, plant and equipment expenditures	**(68,733)**	(28,214)	**(175,974)**	(88,988)
Exploration and evaluation expenditures	**(517)**	(551)	**(688)**	(969)
Property acquisitions	**(234)**	(1,001)	**(234)**	(1,001)
Proceeds on property dispositions	**528**	69,495	**824**	69,945
Change in non-cash working capital	**(5,423)**	(14,007)	**(759)**	(12,725)
	(74,379)	25,722	**(176,831)**	(33,738)
Change in cash and cash equivalents	**—**	—	**(5,341)**	—
Cash and cash equivalents, balance January 1	**—**	—	**5,341**	—
Cash and cash equivalents, end of period	**$ —**	$ —	**$ —**	$ —
Cash interest paid	**$ 2,484**	$ 2,163	**$ 4,690**	$ 4,148

See accompanying notes to the condensed interim financial statements.

NUVISTA ENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Three and six months ended June 30, 2017 with comparative figures for 2016. 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 except as noted below and methods of computation as the annual financial statements for the year ended December 31, 2016. 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, 2016, which have been prepared in accordance with Financial Reporting Standards ("IFRS").

These financial statements were approved and authorized for issuance by the Board of Directors on August 8, 2017.

3. New accounting policies

Below is a brief description of new IFRS standards and amendments that are not yet effective and have not been applied in the preparation of these financial statements.

In April 2016, the IASB issued its final amendments to IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The standard is required to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by NuVista on January 1, 2018. The Company is currently in the process of reviewing its various revenue streams and underlying contracts with customers to determine the impact, if any, that the adoption of IFRS 15 will have on its financial statements, including enhanced disclosures of disaggregation of revenue.

In July 2014, the IASB issued IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in OCI rather than the statement of income, unless this creates an accounting mismatch. IFRS 9 also contains a new model to be used for hedge accounting. The Company does not currently apply hedge accounting to its risk management contracts and does not currently intend to apply hedge accounting to any of its existing risk management contracts on adoption of IFRS 9. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied on a retrospective basis by NuVista on January 1, 2018. The Company is evaluating the impact this standard may have on the financial statements, as well as the impact that adoption of the standard will have on disclosure.

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying for IFRS 15 "Revenue from Contracts with Customers". IFRS 16 will be applied by NuVista on January 1, 2019 and the Company is currently evaluating the impact the standard will have on the financial statements, as well as the impact that adoption of the standard will have on disclosure.

4. Accrued environmental remediation liabilities

		June 30, 2017		December 31, 2016
Balance, January 1	**$**	**846**	$	4,790
Remediation costs incurred		**(40)**		(3,944)
Balance, end of period	**$**	**806**	$	846

During the third quarter of 2015, the Company identified a leak in a remote pipeline carrying oil emulsion in the non core area of Northwest Alberta. The pipeline was immediately shut down and the Company's emergency response plan was activated. The Company recorded $9.3 million in environmental remediation expense in the December 31, 2015 year end financial statements, which is the current best estimate of the total cost of remediation. To date, $8.5 million has been spent. It is anticipated that the majority of the remaining remediation will occur in 2017. In the second quarter of 2017, the Company received insurance proceeds related to this event in the amount of $2.6 million. These proceeds have been recognized as environmental remediation recovery in the period.

5. Exploration and evaluation assets

		June 30, 2017		December 31, 2016
Balance, January 1	**$**	**73,667**	$	83,291
Additions		**688**		1,698
Acquisitions		**5,259**		1,001
Dispositions		**(2,206)**		(1,360)
Capitalized share-based compensation		**608**		766
Transfers to property, plant and equipment (note 6)		**(1,284)**		(8,813)
Expiries (exploration and evaluation expense)		**(44)**		(827)
Impairment		**—**		(2,089)
Balance, end of period	**$**	**76,688**	$	73,667

At June 30, 2017, there were no indicators of impairment in NuVista's E&E assets, therefore an impairment test was not performed.

At December 31, 2016, there were indicators of impairment in NuVista's Shallow Gas Alberta CGU that the carrying amount of exploration and evaluation assets ("E&E") were not likely to be recovered and an impairment test was performed on this CGU. E&E assets were evaluated by comparing carrying amounts to the fair value less costs to sell based on trailing twelve month land sales prices in the areas in which the Company owns undeveloped land. The impairment tests resulted in an impairment charge totaling $2.1 million in the Shallow

Gas Alberta CGU. This charge has been included in depletion, depreciation, amortization and impairment expense. At December 31, 2016, there were no indicators of impairment in NuVista's remaining E&E assets therefore an impairment test was not performed.

6. Property, plant and equipment

		June 30, 2017		December 31, 2016
Cost				
Balance, January 1	**$**	**1,406,357**	$	1,545,216
Additions		**175,974**		187,363
Acquisitions		**25**		2,132
Dispositions		**(10,129)**		(333,585)
Change in asset retirement obligations (note 9)		**2,138**		(3,582)
Transfers from exploration and evaluation assets (note 5)		**1,284**		8,813
Balance, end of period	**$**	**1,575,649**	$	1,406,357

		June 30, 2017		December 31, 2016
Accumulated depletion, depreciation and amortization				
Balance, January 1	**$**	**557,361**	$	702,181
Depletion and depreciation expense		**53,950**		98,883
Dispositions		**(6,331)**		(243,703)
Balance, end of period	**$**	**604,980**	$	557,361

		June 30, 2017		December 31, 2016
Carrying value				
Balance, January 1	**$**	**848,996**	$	843,035
Balance, end of period	**$**	**970,669**	$	848,996

At June 30, 2017 and December 31, 2016, there were no indicators of impairment or reversal of impairment identified on any of the Company's CGU's within property, plant & equipment, therefore no impairment test was performed.

7. Long-term debt

At June 30, 2017, the Company had a $235.0 million (December 31, 2016 – $200.0 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 three and six months ended June 30, 2017, borrowing costs averaged 2.7% in both periods (year ended December 31, 2016 – 3.2%). 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 annually on or before April 30 and semi-annually on or before October 31. During the term period, no principal payments would be required until a year after the revolving period matures on April 30, in the event of a reduction or the credit facility not being renewed.

As at June 30, 2017, the Company had drawn $93.1 million on its credit facility (December 31, 2016 – $nil) and had outstanding letters of credit of $13.2 million, which reduce the credit available on the credit facility. The credit facility does not contain any financial covenants, but the Company is subject to various non-financial covenants under its credit facility. These covenants are monitored on a regular basis and as at June 30, 2017, the Company was in compliance with all covenants. The next semi-annual review is scheduled for on or before October 31, 2017.

8. Senior unsecured notes

On June 22, 2016, the Company issued $70.0 million of 9.875% senior unsecured notes ("Notes") with a 5 year term by way of private placement. Proceeds net of discount and costs amounted to $66.9 million. Interest is payable in equal quarterly installments in arrears. The Notes are fully and unconditionally guaranteed as to the payment of principal and interest, on a senior unsecured basis by the Company. There are no maintenance financial covenants.

The Notes are non callable by the Company prior to the two and a half year anniversary of the issuance date. At any time on or after December 22, 2018, the Company may redeem all or part of the Notes at the redemption prices set forth in the table below plus any accrued and unpaid interest:

12 month period ended:	Percentage
December 22, 2019	104.938%
December 22, 2020	102.469%
December 22, 2021	100.000%

If a change of control occurs, each holder of Notes will have the right to require the Company to purchase all or any part of that holder's Notes for an amount in cash equal to 101% of the aggregate principal repurchased plus accrued and unpaid interest.

9. 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, 2017, the estimated total undiscounted amount of cash flows required to settle the asset retirement obligations is $123.1 million (December 31, 2016 – $128.8 million), which is estimated to be incurred over the next 50 years. A risk-free rate of 2.1% (December 31, 2016 – 2.3%) and an inflation rate of 2.0% (December 31, 2016 – 2.0%) 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, 2017	December 31, 2016
Balance, January 1	**$ 75,463**	$ 101,818
Accretion expense	**796**	1,771
Liabilities incurred	**2,865**	2,332
Liabilities disposed	**(3,401)**	(13,753)
Change in estimates and discount rate	**(727)**	(5,914)
Liabilities settled	**(11,059)**	(10,791)
Balance, end of period	**$ 63,937**	$ 75,463
Expected to be incurred within one year	**$ 11,500**	$ 8,800
Expected to be incurred beyond one year	**$ 52,437**	$ 66,663

10. Share capital

Common shares

	June 30, 2017		December 31, 2016	
	Number	**Amount**	Number	Amount
Balance, January 1	**172,745,647**	**$ 1,265,988**	153,310,265	$ 1,140,170
Issued for cash on offering of common shares	**—**	**—**	15,111,000	103,510
Issued for cash on offering of flow-through common shares[1]	**—**	**—**	3,252,411	20,003
Issued for cash on exercise of stock options	**386,970**	**2,085**	956,958	4,640
Contributed surplus transferred on exercise of stock options	**—**	**724**	—	1,592
Conversion of restricted share awards	**109,023**	**882**	115,013	897
Share issue costs, net of deferred tax benefit of $nil (2016 – $nil)	**—**	**(1)**	—	(4,824)
Balance, end of period	**173,241,640**	**$ 1,269,678**	172,745,647	$ 1,265,988

[1] Net of implied premium $nil (2016 - $1.6 million) on flow-through share price compared to trading price at announcement of equity issuance.

In October 2016, the Company entered into a bought deal equity financing in which the Company issued 15.1 million common shares at $6.85 per share, for gross proceeds of $103.5 million.

In June 2016, pursuant to a private placement, the Company issued 3.3 million common shares on a flow-through basis in respect of Canadian Development expenses ("CDE") at a price of $6.65 per share for gross proceeds of $21.6 million. The implied premium on the flow-through common shares was determined to be $1.6 million on the date of issue. Under the terms of the flow-through share agreements, the Company was committed to spend $21.6 million on qualifying CDE prior to December 31, 2016 and has fulfilled that commitment.

11. Earnings (loss) per share

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

	Three months ended June 30		Six months ended June 30	
(thousands of shares)	**2017**	2016	**2017**	2016
Weighted average common shares outstanding				
Basic	**173,013**	153,455	**172,887**	153,387
Diluted	**173,688**	153,455	**173,563**	153,387

12. 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 currently outstanding and available to be issued as at June 30, 2017 is 9.2 million. The following continuity table summarizes the stock option activity:

	June 30, 2017			December 31, 2016		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Balance, January 1	**6,368,178**	**$**	**7.09**	6,213,614	$	7.14
Granted	**889,853**		**7.39**	2,043,450		6.57
Exercised	**(386,970)**		**5.39**	(956,958)		4.85
Forfeited	**(15,730)**		**7.89**	(344,795)		7.88
Expired	**(129,728)**		**6.67**	(587,133)		9.02
Balance, end of period	**6,725,603**	**$**	**7.23**	6,368,178	$	7.09
Weighted average share price on date of exercise	**386,970**	**$**	**7.19**	956,958	$	6.67

The following table summarizes stock options outstanding and exercisable under the plan at June 30, 2017:

	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
$3.47 to $4.99	965,470	2.24	$	4.32	486,149	$	4.39
$5.00 to $9.99	5,230,133	2.94		7.41	2,181,746		7.73
$10.00 to $12.04	530,000	1.41		10.78	528,666		10.78
$3.47 to $12.04	**6,725,603**	**2.72**	**$**	**7.23**	**3,196,561**	**$**	**7.73**

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.

The weighted average fair value and weighted average assumptions used to fair value the options are as follows:

	June 30, 2017	December 31, 2016
Risk-free interest rate (%)	**0.90**	0.86
Expected volatility (%)	**52**	40
Expected life (years)	**4.5**	4.5
Forfeiture rate (%)	**12**	10
Fair value at grant date ($ per option)	**3.15**	2.24

Director Deferred Share Units

In May 2016, shareholders approved a Director Deferred Share Unit ("DSU") incentive plan. Each DSU entitles participants to receive cash equal to the trading price of the equivalent number of shares of the Company. All DSUs granted vest and become payable upon retirement of the director.

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 period. The following table summarizes the change in the number of DSUs:

	June 30, 2017	December 31, 2016
Balance, January 1	**102,195**	—
Settled	**—**	(5,850)
Granted	**42,769**	108,045
Balance, end of period	**144,964**	**102,195**

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

	June 30, 2017	December 31, 2016
Balance, January 1	**$ 709**	$ —
Change in accrued compensation liabilities	**241**	709
Balance, end of period	**$ 950**	**$ 709**

Compensation liability resulting from DSUs granted in the six months ended June 30, 2017, was offset by a decrease in the closing share price used to value the liability at the end of the period, from $6.94 at December 31, 2016 to $6.55 at June 30, 2017.

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. In 2016, the Company has phased out the use of the RSU plan and as at June 30, 2017, there were no RSUs outstanding.

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 of which 1,540,977 remain to be issued.

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, 2017	December 31, 2016
Balance, January 1	**594,026**	385,142
Settled	**(109,023)**	(115,013)
Granted	**178,849**	355,500
Forfeited	**(2,234)**	(31,603)
Balance, end of period	**661,618**	594,026

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

	Six months ended June 30									
	2017					2016				
	Stock options	**RSU**	**DSU**	**RSA**	**Total**	Stock options	RSU	DSU	RSA	Total
Share-based compensation	**$ 1,674**	**$ —**	**$ 241**	**$ 749**	**$ 2,664**	$ 1,242	$ (349)	$ —	$ 528	$ 1,421
RSU/DSU cash paid	**—**	**—**	**—**	**—**	**—**	—	839	—	—	839
Share-based compensation expense	**$ 1,674**	**$ —**	**$ 241**	**$ 749**	**$ 2,664**	$ 1,242	$ 490	$ —	$ 528	$ 2,260
Gross capitalized share-based compensation	**$ 410**	**$ —**	**$ —**	**$ 198**	**$ 608**	$ 191	$ (115)	$ —	$ 209	$ 285
RSU cash paid	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
Net capitalized share-based compensation	**$ 410**	**$ —**	**$ —**	**$ 198**	**$ 608**	$ 191	$ (115)	$ —	$ 209	$ 285

13. 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, financial derivative contracts, accounts payable and accrued liabilities, accrued environmental remediation 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 financial 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 financial derivative contracts as Level 2. The Company uses third party models and valuation methodologies to determine the fair value of financial 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, 2017			December 31, 2016		
	Gross financial assets	**Gross financial liabilities**	**Net financial assets**	Gross financial assets	Gross financial liabilities	Net financial assets
Current assets (liabilities)	**$ 6,045**	**$ (178)**	**$ 5,867**	$ 3,380	$ (12,112)	$ (8,732)
Long-term assets (liabilities)	**19,910**	**(664)**	**19,246**	2,095	(1,133)	962
Net position	**$ 25,955**	**$ (842)**	**$ 25,113**	$ 5,475	$ (13,245)	$ (7,770)

(c) Risk management contracts

The following is a summary of financial derivative contracts in place as at June 30, 2017:

	Volume (Bbls/d)	**Pricing (Cdn$/Bbl)**	**Term of contract**
WTI crude oil sales price derivatives			
Fixed price swap	2,796	$67.20	Jul 1, 2017 - Sep 30, 2017
Fixed price swap	5,500	$70.14	Oct 1, 2017 - Dec 31, 2017
Fixed price swap	3,700	$71.50	Jan 1, 2018 - Dec 31, 2018
Costless Collar	1,608	$60.30 - $69.66	Jul 1, 2017 - Sep 30, 2017
Costless Collar	800	$62.30 - $71.27	Oct 1, 2017 - Dec 31, 2017

	Volume (MMbtu/d)	**Pricing (US$/MMbtu)**	**Term of contract**
NYMEX natural gas sales price derivatives			
AECO-NYMEX basis	13,261	($0.72)	Jul 1, 2017 - Sep 30, 2017
AECO-NYMEX basis	6,739	($0.72)	Oct 1, 2017 - Dec 31, 2017
AECO-NYMEX basis	10,000	($0.69)	Jan 1, 2018 - Sep 30, 2018
AECO-NYMEX basis	23,261	($0.65)	Oct 1, 2018 - Dec 31, 2018
AECO-NYMEX basis	42,500	($0.76)	Jan 1, 2019 - Mar 31, 2019
AECO-NYMEX basis	17,500	($0.94)	Apr 1, 2019 - Dec 31, 2022
Chicago-NYMEX basis	11,739	($0.10)	Jul 1, 2017 - Sep 30, 2017
Chicago-NYMEX basis	5,000	($0.05)	Nov 1, 2017 - Dec 31, 2017
Nymex fixed price swap	10,000	$3.09	Nov 1, 2017 - Oct 31, 2018
Malin-NYMEX basis	10,000	($0.40)	Apr 1, 2018 - Sep 30, 2018
Malin-NYMEX basis	10,000	($0.38)	Oct 2, 2018 - Dec 31, 2018
Malin-NYMEX basis	10,000	($0.37)	Jan 1, 2019 - Oct 31, 2019

Subsequent to June 30, 2017 the following financial derivatives have been entered into:

	Volume (Bbls/d)	**Pricing (US$/Bbl)**	**Term of contract**
WTI crude oil sales price derivatives			
Fixed price swap	400	$50.00	Sep 1, 2017 - Dec 31, 2018

The following is a reconciliation of movement in the fair value of financial derivative contracts:

		June 30, 2017	December 31, 2016
Fair value of contracts, beginning of year	$	(7,770)	$ 25,756
Change in the fair value of contracts in the period		34,092	(7,197)
Fair value of contracts realized in the period		(1,209)	(26,329)
Fair value of contracts, end of year	$	25,113	$ (7,770)
financial derivative assets (liabilities) – current	$	5,867	$ (8,732)
financial derivative assets (liabilities) – long term	$	19,246	$ 962

(d) Physical delivery sales contracts

The following is a summary of the physical delivery sales contracts in place as at June 30, 2017:

	Volume (GJ/d)	Pricing (Cdn$/GJ)	Term of contract
AECO natural gas physical delivery sales contracts			
Fixed Price Swap	74,239	$3.01	Jul 1, 2017 - Sep 30, 2017
Fixed Price Swap	87,500	$2.95	Oct 1, 2017 - Dec 31, 2017
Fixed Price Swap	47,500	$2.72	Jan 1, 2018 - Sep 30, 2018
Fixed Price Swap	29,266	$2.72	Oct 1, 2018 - Dec 31, 2018

14. Supplemental cash flow information

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Cash provided by (used for):				
Accounts receivable and prepaid expenses	**4,355**	4,397	**(2,440)**	**3,732**
Other assets	**200**	(707)	**202**	**(32)**
Accounts payable and accrued liabilities	**(10,392)**	(26,839)	**3,740**	**(25,728)**
	(5,837)	(23,149)	1,502	(22,028)
Related to:				
Operating activities	**(414)**	(9,142)	**2,261**	(9,303)
Investing activities	**(5,423)**	(14,007)	**(759)**	(12,725)
	(5,837)	(23,149)	1,502	(22,028)

15. Commitments

The following is a summary of the Company's commitments as at June 30, 2017:

	Total	2017	2018	2019	2020	2021	Thereafter
Transportation and processing [1]	**$ 1,038,355**	$ 36,273	$ 84,356	$ 88,113	$ 97,103	$ 109,492	$ 623,018
Office lease	**16,210**	1,584	1,814	1,814	1,826	1,887	7,285
Drilling rig contracts	**1,485**	1,485	—	—	—	—	—
Total commitments	**$ 1,056,050**	$ 39,342	$ 86,170	$ 89,927	$ 98,929	$ 111,379	$ 630,303

[1] Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling $12.8 million at June 30, 2017 (December 31, 2016 - $16.5 million).